

European Union – Republic of Moldova Action Plan as capacity test for the Moldovan Government: *Screening the implementation of the Plan's economic provisions*

Authors: Valeriu Prohnițchi (coordinator), Alex Oprunenco, Ana Popa, Oxana Lupan, Alexandru Gamanjii

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About the project

This publication has been launched within the project “European Union – Republic of Moldova Trade Relations: Current Situation and Perspectives for Enhancement”. The project is sponsored by the Moldova-Soros Foundation. The major goal of this project is to help Moldovan government formulate and adopt balanced and sound positions for the future negotiations with the European Commission, so that an “enhanced trade regime” contributing to the economic modernization of the country and economic integration with EU is achieved.

The trade regime between the Republic of Moldova and the European Union (EU) has evolved significantly in the last decade. In 1998 the EU has offered the Republic of Moldova the Generalized System of Preferences (GSP). In January 2006 the EU has replaced the “normal” GSP with the GSP “plus”. In March 2008 the new EU Autonomous Trade Preferences for Republic of Moldova entered into force. On the other hand, the Republic of Moldova has preserved a higher protection level toward EU exports. This Project aims to assess the impact of these developments on Moldovan economy and the capacity of Moldovan producers and exporters to make use of the new trade opportunities. Available research suggests that Republic of Moldova has not used the whole potential of trade agreements, with main barriers stemming from the shortcomings of its institutional and regulatory framework. In order to identify these shortcomings, the Project has started with an independent screening of implementation of economic chapters from the EU-Moldova Action Plan (signed in February 2005). Project also intends to find out the expectations of the main groups of interests in Moldova and EU regarding the long-term EU-Moldova trade relations. With support of this project the Republic of Moldova would understand better its economic interests and adopt stronger positions in trade negotiations with EU.

In this way, the Project will contribute to strengthening economic integration of Moldova with EU. This integration should go beyond the trade dimension and cover such areas as facilitated visa regime, participation in cross-border and twinning projects, EU investments in transportation and energy infrastructure, more consistent technical assistance, including for adjustment of legislation, participation in educational and youth programs, integration into European research, development and innovation programs, and other areas.

Introduction

The purpose of this document is to conduct an independent assessment of the implementation of the economic provisions of the European Union - Republic of Moldova Actions Plan (further on referred to as Plan or EURMAP), to determine the practical impact of the undertaken actions and outline the main problems and priorities for short and mid-term.

The Plan is a complex document structured in 7 large chapters: 1) Political dialogue and reform; 2) Cooperation for the settlement of the Transnistrian conflict; 3) Social and economic reforms and development; 4) Trade-related issues, market and

regulatory reform; 5) Cooperation in justice and home affairs; 6) Infrastructure, environment and technological development; and 7) People-to-people contacts. The object of our analysis is the "economic part" of the EURMAP, which comprises chapters 3, 4 and most of the actions included in chapter 6 (except "Environment" and "Research, development and innovations"). As many as 25 major areas comprising a total number of 148 economic actions from the EURMAP were evaluated. These areas are the following:

1. Improve population welfare;
2. Sustain growth, consolidate public finances and address the issue of public debt;
3. Functioning market economy;
4. Regional and rural development;
5. Employment and social policy;
6. Sustainable development;
7. Movement of goods;
8. Customs;
9. Standards, technical regulations and conformity assessment procedures (EU harmonized areas);
10. Elimination of restrictions and streamlined administration (EU non-harmonized areas);
11. Sanitary and phytosanitary issues;
12. Right of establishment and company law;
13. Services, including financial services;
14. Movement of capital and current payments;
15. Movement of people including movement of workers, and coordination of social security;
16. Taxation;
17. Competition policy;
18. Intellectual and industrial property rights;
19. Public procurement;
20. Statistics;
21. Financial control and related matters;
22. Enterprise policy;
23. Transport;
24. Energy;
25. Informational society.

In the governmental reports on EURMAP implementation during 2005-2007 the Moldovan ministries and other institutions responsible for implementation of specific parts of the Plan reported the accomplishment of most of the Plan's provisions. However, many reported actions are not actually relevant. In this report we tried to outline only the actions in line with the Plan's provisions and to share with the readers our perceptions concerning the impact of the undertaken measures on the economic situation in Moldova. Also the authors have tried to identify the issues which obstructed a more consistent accomplishment of the actions stipulated by the Plan or reduced their practical impact. In addition, the authors have suggested a number of short-term policy measures. The detailed results of the screening are reflected in Annex 1 of this report.

Because EURMAP is a political document rather than a planning one (i.e. there are no clear-cut performance indicators), the evaluation of the Plan implementation is inevitably a subjective exercise for anyone who tries to make this effort: the Government of Republic of Moldova, the European Commission or independent consultants. Moreover, some of the EURMAP stipulations are vague and refer to the general development process. The rigorous evaluation of their accomplishment requires elaboration of separate reports (an example of such an action is "*Progress in EGPRSP Implementation*").

In case of other actions, the necessary information for their evaluation could not be found anywhere, neither in governmental documents nor in European ones. An example of such action is *„Implementation of relevant conditionalities for poverty eradication and social security identified in the framework of the EU Food Security Program”*.

A number of actions were already out of date when the Plan was signed in February 2005 (for example, the Plan refers to the Interim Strategy for Poverty Eradication of the 2002, even though on December 2, 2004 the Parliament of Republic of Moldova already adopted a law on Economic Growth and Poverty Reduction Strategy). We also believe that the Plan includes some actions which are not relevant for Republic of Moldova. For example, EURMAP stipulates the “free movement of direct investment capital in companies or other investments made according to provisions related to companies’ establishment”. However, in Moldova the capital circulation is liberalized and the free expatriation of profits is guaranteed.

In order to make a thorough screening of the undertaken measures the authors of this report used their individual expertise and the expertise of other consultants (who preferred to remain anonymous). Available statistical data as well as several reports of governmental and non-governmental organizations were used for quantifying the impact of these measures. ***The ultimate purpose of these efforts was to understand whether after three years of implementing the EURMAP the Republic of Moldova became closer to EU from the economic point of view or not.***

In the following sections readers will find the summary of Moldova's progress in implementing economic provisions of the Plan. Authors attempted to identify the areas where the impact of the actions was positive and areas where situation stagnated or worsened. In both cases, authors attempted to outline the factors contributing to success and the causes of failures. Another section comprises the key problems which have to be solved in short-run. The document ends with conclusions and policy recommendations.

1. Summary of the progress

The accomplishment of the economic actions of the EURMAP was evaluated on the following scale:

Major progress (👍👍) – according to experts the action was implemented fully or to a significant degree.

Moderate progress (👍) – essential efforts were made, but not sufficient for accomplishing the action.

Minor progress (👉) – minimal efforts were made for accomplishing the action, most frequently limited only to elaboration of law drafts.

No progress (👎) – no visible efforts were made or despite taken measures, action was not implemented.

Regress (📉) – the situation concerning the specific action became worse.

The progress regarding the implementation of the 148 actions from the economic part of the EURMAP is as follows:

- 27 actions are qualified as „major progress" (18.2% of total);
- 44 actions are qualified as „moderate progress" (29.7%);
- 51 actions are qualified as „minor progress" (34.5%);
- 23 actions are qualified as „stagnation" (15.5%);
- 2 actions are qualified as „regress";
- 1 action could not be evaluated because of lack of information.

With this repartition of progress, the implementation of the economic provisions of the Plan can be described as a „minor-moderate progress".

Meanwhile, the fact that certain actions were qualified as "progress" does not imply that there is a practical impact of these actions as well. Many actions were implemented only by the end of 2007, and many legislative and normative acts were adopted in 2008 or are to be adopted soon. Therefore, even the impact of many actions labeled as „moderate progress" or „major progress" is often imperceptible in practice or very small.

2. Progress by major areas

In this section there are short descriptions of main evolutions in each of the 25 monitored areas of the economic part of the Plan.

Improve population welfare

The progress in implementing the corresponding measures of this area was mixed. The implementation of the Economic Growth and Poverty Reduction Strategy in 2005-2007 can be described as a „minor progress” caused by the unfavorable evolution of the welfare indicators in 2005-2007 in the context of slowing economic growth. The social assistance system has not become more efficient, while population exposure to the non-economic risks has exacerbated. The Strategy for Restructuring of the Residential Childcare System was adopted only in July 2007. Due to delay in its elaboration and implementation there is still no visible impact. Meanwhile, the biggest part of the resources for implementing the Strategy is expected to come from the local budgets (210 million from the total 250 million lei which is the total cost of the Strategy). Taking into account the chronic shortages of resources in local budgets, it is expected that there will be no visible impact in the coming 1-2 years in the Strategy implementation. During the implementation of the Plan there was no rationalization of the child benefits, but only increases of some benefits. There were no significant measures for improving the children access to education in rural area. As result, after a period of improvement of education enrollment indicators in 2000-2004, the net rate of enrollment in primary and secondary education decreased from 91.0% and, respectively, 88.5% in 2004 to 87.6% and, respectively, 86.1% in 2006. This has to be considered as a major regress, taking into account the fact that the Plan provides explicitly for „removing the factors limiting access to education for poor families' children and improve their access to primary and secondary education, in particular in the country side”.

Sustain growth, consolidate public finance and address the issue of public debt

Even though the economic growth decreased as result of external factors, this is one of the areas where significant improvements were registered. The progress is marked first of all by re-launching relations with IMF and restructuring the foreign debt by consolidating 150 million USD that Republic of Moldova contracted by 31 December 2000. The burden of foreign debt has reduced, both by diminishing its share in GDP from 22.37% in 2005 to 16.24% in 2007, as well as by reducing the share of budget expenditures for servicing the foreign debt from 1.9% of the total revenues of the national public budget in 2005 to 0.9% in 2007. At the same time, there is a smaller progress concerning harmonization of the Mid Term Expenditure Framework (MTEF) with the EGPRS and other programs agreed with international financial institutions. MTEF has not become yet a framework correlating the Law on State budget with national strategies because the budget elaboration is not synchronized with the MTEF structure and timeline. The macroeconomic and fiscal forecasts are far from being realistic, thus affecting the accomplishment of development goals and requiring significant budget adjustments after adopting the MTEF. Other problems stem from the ad-hoc tax concessions adopted either by Governmental or Parliamentary decisions, which continue even after canceling a series of formal fiscal concessions. From our point of view, the 2007 fiscal amnesty also contradicts the EURMAP provisions.

Functional market economy

In respect to the consolidation of the market economy there was no major progress registered because of repeated postponement of implementation of the regulatory reform and weak collaboration between responsible institutions. Even though there was a series of new laws and legislative amendments (accounting law, law on audit, law on state registration of legal entities and entrepreneurs, law on joint stock companies and limited responsibility companies, law on insolvency), the majority of these laws were adopted either at the end of 2007 or at the beginning of 2008, which makes it difficult to evaluate the impact. At the same time, positions of the Republic of Moldova in leading global ratings on investment climate have not improved in the recent years. A number of formal and informal obstacles to business are still perceived by entrepreneurs. Market regulatory institutions remain inefficient because of their financial and administrative dependency on the Government and weak regulatory basis and poor institutional capacities. We believe that this issue is common also for the recently created National Agency for Competition Protection. Even though cooperation with private sector became more active, most often it takes the form of exchange of information and not of collaboration as such. This generated social tensions as it was in the case of the discontent of the holders of "entrepreneurship patent" resulting from the law amendments reducing the number of economic activities which can be practiced under an "entrepreneurship patent". Another example of poor consultation is the (informal) interdiction on export of bulk wine in 2007. Approval of the law on administration and denationalization of public property in 2007 is a much welcomed evolution in order to continue the privatization. The outdated Privatization Program for 1997-1998 was finally abrogated after being previously extended several times without any significant practical achievements. The new law demonstrates the Government's engagement regarding the scale and degree of transparency of the privatization. In November 2007 and March 2008 auctions with shares of the state-owned enterprises were held at the Chisinau Stock Exchange. However the list of the companies that are not eligible for privatization includes the two state-owned electric distribution networks (Northern and North-Western) and the three state-owned co-generation power stations, which contradicts the provisions of the EURMAP and of the new Energy Strategy for 2020.

Rural and regional development

Despite the fact that some relevant laws were adopted and the National Development Strategy sets the regional development as a priority, we consider that no practical measures have been taken for improving the rural and regional development. As result, the development disparities between rural and regional level have worsened. Administrative decentralization has not started. The law on regional development is not functional because proper institutions and regional entities have not yet been created. EURMAP stipulates the elaboration of specific measures for promoting development of the SMEs in regions and rural area. The progress in this direction is very modest. The SMEs Development Strategy Implementation (adopted for the period 2006-2008) has not advanced, however the draft of a new strategy has been already elaborated. In 2006-2007 the project „SMEs development in the rural area” with technical assistance from EU was implemented. The value of this project was 1.9 million euro, but the project impact cannot be evaluated because there is no information on achieved versus expected results.

Social and employment policy

Being a key policy area in the EU and also an important part of the EURMAP, the social and employment policy of Republic of Moldova is far from matching the expectations of employees and unemployed people. The progress registered in implementation of these measures is small as suggested by falling employment indicators, growing number of work accidents and inefficiency of the National Agency for Labor Employment. Provisions of the Labor Code regarding workers rights, labor conditions and decent remuneration are very often not respected in practice. Therefore, employees continue feeling discriminated in labor relations. Despite the merger of the two national trade unions, their real independence from the Government has yet to be proved.

Sustainable development

There are three essential measures stipulated in the EURMAP which are not implemented so far. The "Moldova-21" Sustainable Development Strategy, adopted in 2000 is not monitored anymore and is absent from the political agenda of the Government or Ministry of Environment and Natural Resources. Little surprise the environment conditions worsened in the last years because of the economic activities and poor management of natural resources. No administrative entities have been established for strategic planning and coordination of sustainable development. Inclusion of a number of environmental considerations in several policy documents can be considered "minor progress" (these documents are National Development Strategy, Energy Strategy for 2020, and Strategy for Development of Land Transport Infrastructure for 2008-2017). Because of the budget constraints, the environment aspects are ignored when implementing major infrastructure projects. The Ministry of Environment and Natural Resource has a minor role in monitoring these projects.

Trade relations

There is a moderate progress in implementing the stipulations of EURMAP. Concerning the Moldova's WTO commitments there are some important progresses, such as adjusting the customs tariffs, launching a national program for elaborating technical regulations, gradual elimination of licenses which do not meet the WTO commitments. At the same time these accomplishments do not have a decisive character. There are deviations from the agreed commitments, especially in respect to the customs valuation methods, safeguard measures or ad-hoc tax exemptions. Moreover, the WTO Secretariat has not been always and timely notified on trade policy modifications adopted by Moldovan government. Some regulatory measures are not adopted transparently. Reduction in the number of licensed activities was done not only by reducing number of activities but also through merging licenses for different fields of activity. The annual reports made by the World Bank regarding the ease of doing business are eloquently proving the dubious progress in this area because in most of the reports Moldova fares poorly as compared to other countries in the region.

Customs

In this area there are major progresses registered. First of all, this relates to establishing control over the origin of goods and implementation of the ASYCUDA World system, transfer of responsibilities for issuing the certificates of origin from the Chamber of Commerce and Industry to Customs Service, revision of the Nomenclature of goods of Republic of Moldova, providing customs control based on the analysis and risk selectivity, implementation of the FRAUDE program and cooperation with the EU Border Assistance Mission. As result of Moldova implementing these actions the EU was able to grant it the Autonomous Trade Preferences. However there are specific aspects where progress is rather moderate. For instance, the implementation of the „one-stop-shop” principle is delayed, while communication of the customs with economic agents could significantly improve. Meanwhile, several independent studies show that despite the Customs office adopting the Code of Ethics according to the Arusha Declaration, the economic agents have not changed their perceptions according to which corruption remains an important obstacle in the work of the Customs office.

Standards, technical regulations and conformity assessment procedures (EU harmonized areas)

There is little progress towards adopting standards, technical regulations and conformity assessment procedures. On the positive balance can be mentioned the adoption of a number of strategies outlining priority sectors for improving the regulatory environment. There were several European and international standards adopted, as well as important changes were done to the Law on Standardization (these amendments provide for partial elimination of mandatory regulations). The Consumer Protection Strategy for 2008-2015 was adopted in December 2007. Republic of Moldova also became member of the European Committee for Standardization (CEN), but did not manage to join the European Committee for Electro-Technical Standardization (CENELEC) and International Electro-Technical Committee (IEC). In most cases the practical application of legal provisions is delayed, while the legislation adopted at the end of the EURMAP implementation does not produce measurable impact. Once palpable, the progress in this area will have a major role for increasing competition capacity of Moldovan exports on the common market.

Elimination of restrictions and streamlined administration (EU non-harmonized areas)

The EURMAP includes, *inter alia*, prevention of discrimination and provision of possibilities for the involved parties to identify problems and comment on legal drafts. The progress towards implementing these measures is small. Exporters are seldom consulted regarding the legal drafts, and in most cases this is done formally or post factum. From another part, exporters are not always willing as well to enter in open and transparent dialogue with the Government. As result, laws are being adopted generating public discontent and social protests, distorting loyal competition between economic agents and creating artificial obstacles for exports. There was no

progress registered in creating a Trade Contact Point for information exchange between Moldova and EU. This contradicts Moldova's commitments to WTO regarding the creation within the Ministry of Economy and Commerce of an informational center for implementing the WTO agreements and notification of the WTO Secretariat on legal amendments which impact international trade. Because there was no center created, Moldova does not notify WTO Secretariat on changes in trade legislation. The Ministry of Economy and Commerce mentioned that recently a study has been done on imports discrimination. However this document is not accessible to the public.

Sanitary and phytosanitary issues

The progress with the implementation of sanitary and phytosanitary actions is minor. First of all, there is only a partial implementation of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) and of the WTO Agreement on Technical Barriers to Trade (TBT). The main difficulties stem from hesitant progress in elaboration of technical regulations for an effective application of voluntary standards and in signing of agreements with the WTO member countries with the purpose of mutual recognition of the certification procedures. Meanwhile, the SPS and TBT information centers that were created with the DFID assistance are not functional anymore. Another problem is the shortage of human and financial resources of the Service for sanitary and phytosanitary control. Besides, the process of adoption of sanitary and phytosanitary norms is extended in time and not all necessary norms have been adopted. The law on the veterinary activity was adopted, but not promulgated. The third problem is that the concept of system for animal identification and traceability system was elaborated, but it was not launched up to the current moment. Another important delay is nomination of national reference laboratories in the sanitary and phytosanitary sectors and provision of necessary equipment. All these factors will prevent Moldovan producers from benefiting completely from the Autonomous Trade Preferences. Meanwhile, there should be mentioned that the adjustments are extremely costly and that the technical assistance from the European Union and from the neighboring countries could be more consistent.

Right of establishment and company law

In this area the "moderate progress" and "minor progress" overlap with "stagnation". The national legislation has fewer obstacles for establishing foreign companies, and requirements became more favorable as compared with the legislation existing at the moment of signing the Partnership and Cooperation Agreement and the Actions Plan. A number of laws have been adopted for meeting the EU standards concerning company law such as the law on limited liability companies, law on accounting, law on audit. However, due to the fact that these laws were adopted recently their impact is small. In 2007 the National Commission for Financial Markets was established as administrative authority that monitors the incorporation of joint stock companies and other entities in the nonbanking financial sector. An action resulting from the Plan is the adoption of the Corporate Governance Code by National Commission for Financial Markets. The Commission recommended all joint stock companies to adopt the Code. It is expected however that its implementation will be done gradually, as the domestic corporate sector develops a more

advanced business culture and social responsibility. Meanwhile, it is hard to perceive any significant progress in respect to greater predictability of judiciary and administrative authorities, responsible for monitoring the observance of the legislation governing the joint stock companies and their investments. The share of annulled court decisions on civil causes has significantly increased, along with the number of appeals of the Moldovan citizens to the European Court for Human Rights. The number of appeals with economic or property character is on rise.

Services, including financial services

There is a “minor progress” in development of cross-border services, which the Actions Plan refers to (particularly the naval transport). This “minor progress” is due to creation of the “Giurgiulesti” International Port Captaincy and of the state enterprise „Naval Register”. Meanwhile, there was no screening performed of the national legislation in order to identify and eliminate the obstacles to cross-border services. The major progress in this framework is the political and financial consolidation of the National Bank of Moldova and the creation of the National Commission for the Financial Markets in 2007. The development of the insurance market has continued with adoption in 2006 of the law on insurance. Insurance market progress was qualified as “moderate” because there are no yet significant changes in quality of services and because the corresponding regulation framework was not adapted yet to enforce the law provisions. There are more efficient measures undertaken in the banking and nonbanking sector concerning the risks control. Still, the IMF recommendations on the financial sector (issued as a result of the Program on the Evaluation of the Financial Sector) were not yet fully implemented. Particularly, there is no adequate disclosure of information on ownership in the banking sector and there are no bank reserves created for the insurance operations involving bank resources.

Movement of capital and current payments

There could be a “major” progress in this field, if there was no interdiction for the acquisition of land by nonresidents. Besides that, the circulation of capital for direct investments in companies and other investments is not limited. (The existence of restrictions for the circulation of the speculative capital cannot be considered as an obstacle for free circulation of direct investment capital in companies or other investments made according to the stipulations regarding the establishment of companies). But there are some concerns related to a governmental decision, according to which a working group has been created for monitoring strategic foreign direct investments and related transactions. This can be interpreted as a tentative to establish direct control on foreign investments. In 2004 there was a law adopted on investments in entrepreneurship, which provides equal protection to foreign and local investments. In Moldova there are no restrictions for the amortization of investments (except for the general restrictions stipulated in the fiscal legislation) and for profit repatriation. Since 2004 there is a constant growth of foreign direct investments, from 151 million USD in 2004 to 560 million USD in 2007.

Movement of people, including movement of workers and coordination of social security

Presently, there are no agreements signed with any of the EU states related to the social security issues (work conditions, payment and dismissal). Thus Moldovan migrants are not protected while being abroad. There is an assessment of a "minor progress" in this area related to a draft agreement being elaborated between Republic of Moldova and the "X Country" to be set forth as basis for negotiations. Providing an equal or nondiscriminatory legislative framework in this sector currently remains the basic challenge for authorities, taking into account that "The National Action Program for migration and asylum" was adopted for employed foreign citizens in Moldova and the IOM Convention nr.97 on work migration was approved.

Taxation

In this area progress varies. As it was planned, the Strategy on the State Fiscal Service Development for 2006-2010 has been elaborated and the introduction of fiscal service activity performance indicators started taking place. But the 2007 fiscal amnesty has undermined the consolidation of the control and tax collection system. Starting with 2005 Moldova has signed many bilateral agreements for avoiding the double taxation with a number of states, which will increase the attractiveness of the country for foreign investors. The issue of VAT reimbursement still needs to be addressed, however. The Republic of Moldova applies VAT and excise taxes on the export of goods. The reimbursement procedure is time-consuming and requires significant efforts from the companies. In this sense it is necessary to elaborate a project for a new regulation on VAT reimbursement. Its approval should be accelerated, however. There is work that needs to be done further for determining the place where services can be delivered and VAT reimbursed to non-resident.

Competition policy

There was no significant progress registered concerning elaboration and incorporation into the national legislation of a universal definition for the "state aid", which would be compatible with EU. As a result, there are a number of economic policy decisions distorting the competition between the economic agents by favoring state-owned or municipal enterprises. The state aid is not transparent; the evident situations of conflict of interest are ignored; the functions for elaborating policies on state aid are not separated from the policy implementation. There is a major progress by creating the National Agency for Competition Protection (NAPC), which was stipulated in the Law on competition from 2000. NAPC has the necessary authority, including the decision making capacity, right for investigations through self-determination, right to issue executive titles and right to apply penalties. However there is a growing dissatisfaction from different companies and business unions on how the NAPC determines monopoly cases on the market, the size and the type of penalties. The current legislation does not stipulate criteria for setting the amount of penalties and the mechanisms of their application. Moreover, the NAPC is influenced by an obvious conflict of interest. It has the right to withhold a part of the penalties, which makes the agency interested in setting high penalties to improve its poor financial situation, as any other starting agency would have. It is difficult to make a

univocal evaluation on the availability of adequate human resources. NAPC has did not recruit its staff through an open competition and did not want to inform the authors of this report about their professional experience in competition area.

Intellectual and industrial property rights

There were new project laws on the protection of intellectual property objects elaborated for harmonizing the national legislation with the EU one and for providing maximum protection to the property holders. However additional regulations have to be elaborated for these laws to be functional. All the law projects are elaborated according to the international conventions that prevail over national legislation if there is any divergence. In 2007 a study on counterfeit and piracy was completed. It outlines the losses in the phonographic, cinema and software industries. The major problems in respect to the fraud identification have been spotlighted as well. In general, the majority of falsification and cases of counterfeited production are identified during controls performed by public authorities and less frequently using the information from consumers or public organizations. The collaboration between AGEPI and offices in other countries on intellectual property has developed (with the Customs Service, Ministry of Internal Affairs, National Agency for Protection of Competition). An agreement was signed between AGEPI, Ministry of Internal Affairs and Business Software Alliance regarding the reduction of the IT piracy. Additional legalization campaign was launched to perform controls of the economic agents.

Public procurement

There is a minor progress in Public Procurement area. Starting with January 2007 the "Public Procurement Bulletin" is published twice a week. However, the web page of the Agency for Material Resources, Public Procurement and Humanitarian Aid (ARMAPAU) does not work and is incomplete. There is no significant progress registered in creating an electronic system of public acquisitions. The statistical system of public acquisitions is outdated and not operational. The new law on public acquisitions does not reduce (as the Actions Plan foresees), but increases the number of exception in the public acquisitions framework, in two cases without any clear economic argumentation. Even though the Law provisions seem to correspond to the EU policy standards on public acquisition, there is currently no impact of this law. Firstly, the law was adopted only in October 2007. Secondly, to apply successfully the law, 8 regulating acts have to be revised and other 13 acts have to be elaborated, which takes place very slowly. There were no essential changes in the "traditional" practices of public acquisitions. The share of acquisitions from a single source has not reduced significantly (at least in 2006 compared to 2004-2005). There is no transparency in selecting the winning companies. Many participants to public acquisitions reveal the problem of "arranged" tenders.

Statistics

The major progress according to the Action Plan was the population census which was conducted according to the calendar and recommendations of Eurostat/UN-ECE. The Plan provides for the elaboration of a strategy for developing the national statistics system. However this document was not adopted yet. The lack of progress in

adopting the EU standards in statistics makes impossible to compare several indicators. Many indicators necessary for analyzing various policies do not exist, while other indicators are published late. There were no changes made in the law on official statistics in order to incorporate the fundamental UN principles in statistics.

Financial control and related issues

There was a moderate progress in developing administrative capacities of the Court of Accounts, which since 2007 has essentially improved its structure and the procedure used for elaborating Annual Report to the Parliament. Unfortunately, the Parliament does not react adequately to the public finance abuses identified by the Court of Accounts. A certain progress was achieved, by including the social insurances budget, mandatory medical insurance funds, special resources and extra-budgetary funds in the national public budget. However, it appears as not all financial obligations are included in the treasury system. It is difficult to monitor the “historic” budgetary debts. There was no progress achieved in the cooperation with the EU institutions for joint inspections and controls of the use of European funds. A progress is registered in the internal control system. It became possible by elaborating and approving the Strategy on the development of the internal public financial control and by establishing a department on the harmonization of the internal control system and internal audit within the Financial Control and Revision Service of the Ministry of Finance. Still, the practical impact of these evolutions is minor. There is no progress in adjusting the national standards to the international methodologies and standards and to the best EU practices on public resources audit and control. Even though there were some audit standards elaborated by the Court of Accounts, there is little progress in adjusting the accounting standards for the public sector, where some outdated plans of accounts are still used.

Industrial policy

There is a small progress in creating a legislative framework and the adequate infrastructure for the development of SMEs, being limited to the elaboration of a new Strategy for supporting the development of small and medium enterprises for 2009-2013 and the creation of the organization on the development of the SME sector. However there were no relevant changes of policy tools. The SME Support Fund does not provide essential support, while its management is not transparent. The public and private infrastructure for business support remains weak, except for some urban areas (Chisinau and Balti). Republic of Moldova failed to adopt and implement the European Charter of Small Enterprises. After joining the Charter in 2004, Moldova has participated only at one evaluation. The causes of Moldova's withdrawal from the Charter works are not clear, but it appears that it was the European Commission to dismiss Moldova from this Charter. Even though in February 2006 an Euroinfocenter was opened in Chisinau, it has no noticeable activity. Moldova does not participate practically in the European initiatives for stimulating competitiveness.

Transport

Because of the lack of a consistent long-term policy for the development of transport, insufficiency of the necessary financial resources and the lack of transparency in financing the sector, the road management remains really bad.

There has been a progress by adopting the Strategy for Land Transport Infrastructure and identifying priority aspects for the railway and road transport development. The security level of road trafficking remains unsatisfactory (which is confirmed by the growing number of road accidents), even though there were measures adopted for securing road transportation by 2009, by creating the National Council on Transportation Security. Concerning the air transportation, the progress is registered in aeronautic security, by removing old aircrafts from service and establishing a training center. The development of the branch itself advances slowly. The Civil Aviation Development Strategy has been elaborated for the period 2007-2012, but it does not foresee any money for achieving the major objectives. The only progress related to development of the naval and maritime transport consists in establishing two public institutions to exercise the Port State Control and Flag State Control (the "Giurgiulesti" Port Captaincy and the State Enterprise „Naval Register").

Energy

There is a mixed progress in the energy sector. A new Energy Strategy was adopted, but without auditing the implementation of the previous two strategies. Meanwhile, some measures from the strategy have an extended implementation horizon and some of their parts are not financially covered. The same goes for adjustment of domestic policy to the EU energy policy. The progress related to evolutions of energy prices, the tariff reform for the elimination of distortions and improvement of the collection rate of bills is more important for the electric energy rather than the natural gas market. As Russia's "Gazprom" remains the single supplier of natural gas in the Republic of Moldova, while the supply scheme is obscure, no liberalization of the natural gas market can even be discussed realistically. Another concerning evolution is the stagnation of the privatization in the energy sector, the lack of progress for reorganization of the natural gas sector and the lack of a significant progress in restructuring the "Termocom". Meanwhile, little attention is paid to increasing production of renewable energy, which makes the objectives included in the new Strategy appear excessively optimistic. Meanwhile, there is a significant progress in modernizing the gas pipe network and the gas metering devices at border crossing points.

Informational Society

There is a small progress in respect to the policy and regulation in the electronic communications sector. The law on electronic communications was adopted only in November 2007 and evidently it does not have any impact, taking into consideration that it is necessary to adopt additional regulatory acts. The progress in the liberalization of the telecommunications market is also moderate. Even though the services rendered by market operators became more diversified, the Internet access is technically monopolized by Moldtelecom. The company manipulates the price level and the technical quality on the Internet market, in order to obtain strategic advantages as compared to other providers. The National Agency for Telecommunications and Information Regulations remains politically dependent on the Government and President. There is a moderate progress in accomplishing the National Strategy "Moldova Electronica" (particularly in "e-health" and "e-government" areas). The progress is extremely slow in developing an electronic educational system, integrating the informational elements in the research system

and the technological and cultural development, the interaction between the citizens and the government, especially at the local level. During the implementation of the Actions Plan there were no public programs organized for the informational training of the population. Moldova's participation in the 6th program on Informational Technologies did not take place.

3. Key-factors of success

From our point of view, the main actions of major progress with a positive impact on the economy, in the implementation of the Actions Plan are the following:

- Signing the memorandum with the International Monetary Fund and restoring the good relationships with this institution;
- Achieving progress in reducing the excessive burden of the state debt, particularly the foreign debt;
- Ensuring the efficient control of the origin of goods in order to benefit integrally from the Generalized System of Preferences and the transfer of responsibilities for issuing circulation certificates EUR-1 necessary for the export of Moldovan merchandise to the communitarian market to the Customs Service from the Chamber of Commerce and Industry;
- The implementation of the customs control principle based on the analysis and risks selectivity; creation of the relevant institutional framework and development of the cooperation between Moldova and EU in the framework of risk control, including the security and inoffensiveness of the imported, exported and transited goods;
- The consolidation and assurance of the efficient functioning of the National Commission for Financial Markets, which controls the companies incorporation;
- Ensuring the integral application of the best behavior clause by eliminating all discriminatory measures on the basis of national affiliation which affects the migrant workers, with reference to the work, payment and hiring conditions;
- Applying international standards on intellectual and industrial property rights.

In these sectors the success was determined, mainly, by a number of external and internal driving factors, including a series of imminent "carrots" that would follow the good implementation. In other words, those actions were well implemented which implied a clear and palpable purpose.

Thus, the progress in ensuring an efficient control of the goods origin was a mandatory condition to receive the EU Autonomous Trade Preferences. Signing the policy memorandum with IMF was necessary for opening the bilateral and multilateral external financial assistance, including from EU. The "external anchor"

(the EU) has favored the good implementation of the customs control principle based on the risks analysis and selectivity, the creation of the relevant institutional framework and the development of cooperation between EU and the Republic of Moldova in this sector.

The reduction of the public burden became possible not by reducing the absolute volume of the debt (which actually increased), but as a result of the economy growth and rise of budgetary revenues. Thus, the share of the total debt in GDP improved. The same goes for the share of expenditures from total budget revenues for paying off the debts. Still, even the slight reduction of the external debt is an important achievement, which will facilitate a better allocation of resources for middle- and short-term priority development projects.

The creation of the National Commission for Financial Markets was perceived by the government as an objective necessity. The economic growth has led to diversifying needs for corporate financing and emergence of several financial, leasing, micro-financing, and insurance companies. For ensuring an adequate supervision of the growing market, it was necessary to create an administrative authority capable to monitor the financial nonbanking sector as the National Bank of Moldova supervises the banking market.

Meanwhile, the professionalism of some specialized governmental agencies, doubled with foreign consultancy, represented a success factor for major or moderate progress of many actions. Particularly, it is about the application incorporation of the international standards of intellectual and industrial property rights in the national legislation, which is the result of cooperation of the State Agency on Intellectual Property with a number of foreign specialized organizations and with the public authorities from the Republic of Moldova.

4. Key-factors of failures

We consider that the most important failures (regress or stagnation) in implementing the Actions Plan are the following:

- Lack of progress in the rationalization of child benefits and the increase of assistance efficiency for the poor families;
- The failure to eliminate the factors which restrict the access to studies for children from poor families and the improvement of their access to primary and secondary education, especially in the rural areas;
- Lack of an essential progress in ensuring independent functioning of the main market regulation agencies;
- Stagnation of the actions pertaining to regional and rural development;
- Stagnation of the actions pertaining to sustainable development;

- The persistence of a discriminatory measure which affects the foreign investments (foreign investors cannot own agricultural land);
- No full revision of the national legislation was performed by the Republic of Moldova for identifying the obstacles for rendering cross-border services;
- No uniform and mandatory definition was proposed for the state aid, which would be similar to EU definition; no improvement of the state aids transparency was achieved;
- There was no development strategy elaborated for the official statistics system;
- There was no cooperation between Moldova and EU on joint verification and inspection on the EU funds management;
- The adjustment of the national standards on control and audit of public financial resources to those accepted at the international level and the best EU practices in this sector stagnated;
- Moldova was accepted to the European Charter for Small Enterprises in 2004, but currently it is not part of this Charter;
- It was not possible to elaborate a feasible plan of low-cost measures for increasing the energy efficiency, increasing the use of renewable energy and the consolidation of the corresponding institutions.

The failure factors have to be analyzed in details in order to be eliminated. We consider that these failures (and others which are less important and were not mentioned in the above list) were caused by a series of *systematic factors*:

- ✓ Reduced "ownership" of the Action Plan, meaning that in February 2005 the Government has accepted a "package" from the European Union instead of insisting on fewer but more specific sectors and which would be really important for the country; in fact many actions from the Plan were from the very beginning designed for failure;
- ✓ The dominance of political interests and political indications over the public interests, which makes the European integration not to be perceived by the public officers and citizens as irreversible and unconditioned;
- ✓ The deficit of qualified staff in the public service, small remuneration of the public officers, the absence of an honest system for motivation and career advancement and the officers' excessive political dependence from the governing party;
- ✓ The lack or weakness of policy planning and coordination units in ministries;

- ✓ The unofficial rivalry between different ministries regarding the supremacy for coordination of the European integration policies;
- ✓ The lack of intra-governmental systems for the circulation of information and reporting regarding the implementation of the development strategies;
- ✓ The formality in the elaboration of strategic planning documents (weak financial planning, lack of performance indicators etc.);
- ✓ The poor correlation of the policy process with the budget process;
- ✓ Lack of the political (parliamentary) and administrative control over the use of public finances;
- ✓ Lack of cooperation and effective dialog between the market regulatory agencies and the private companies;
- ✓ Government's inability to eliminate outdated practices inherited from the soviet period and applied in the public administration and in the governmental hierarchy;
- ✓ Lack of the financial resources necessary for implementation of the most expensive actions from APEURM (the elaboration of the sanitary standards, buying the equipment for laboratories, etc.);
- ✓ Strong institutional inertia, which does not permit the ministries and government agencies to renounce to concentrate on planning, implementing and monitoring policies in the sectors they are responsible for.

The acknowledgement of these weaknesses is a necessary in order to eliminate them by reforming the central and local public administration. But this reform advances slow and if there will be no efforts made to eliminate the above mentioned factors, Moldova will remain laggard in implementing many aspects of the Actions Plan.

5. Major short-term priorities

Based on the origin, language and purposes of the Action Plan, it is clear that "all actions are important". However, we believe that there are 12 major priorities that the Republic of Moldova's Government should approach immediately, in order to improve its economic relations with EU and to convert the public expectation related to the Actions Plan in clearer accomplishments with impact on public welfare and the development of the private and public sector. These priorities are the following:

- ➊ Ensure full functionality of the main market regulation bodies; these bodies should elaborate clear and transparent procedures and standards for adopting decisions which should be in line with the principles of the regulatory reform strategy;

- Speed up the implementation of the second stage of the regulatory reform and reduce the administrative burdens and obstacles for starting, licensing and closing down a business; revise urgently and hold public discussions on the draft of the new law on competition protection;
- Launch pilot-projects for contract out public services to private companies, in order to consolidate the public-private partnership (e.g. road and bridge reconstruction and maintenance); revise the list of objects not allowed for privatization, in order to eliminate the enterprises that were included on the list without any economic reasoning (particularly, the enterprises from the energy sector);
- Develop and implement "one-shop-stops" in the customs system; consolidate institutional capacities in the area of standardization, accreditation, conformity assessment, metrology and market surveillance;
- Constitute a national contact point (for instance, as structure of MIEPO), responsible for the exchange of commercial information with EU and for the timely notification of WTO on the changes performed in the commercial legislation; the assessment of the legislative framework for the identification and elimination of obstacles in providing international services and integral implementation of the WTO Agreement requirements on the Application of Sanitary and Phytosanitary Measures (SPS) and of the WTO Agreement on Technical Barriers to Trade (TBT);
- Increase the convergence of the national legislation on food products with the European principles on food safety (Regulation 178 /2002 /EC) and with general marking requirements of the food products (Directive 2000/13/EC); effectively launch the animals traceability system (especially for the cattle); assign national laboratories, especially in the phytosanitary sector;
- Identify a uniform and mandatory definition of the state aid, compatible with the EU definition; elaborate a comprehensive list of institutions/bodies that provide state aid; create a national mechanism for centralizing the information on the state aids provided in Moldova, for elaborating annual reports on the volume, type and beneficiaries of these aids;
- Have the National Agency for the Protection of Competition perform a self-assessment of its endowment with human and financial resources and identify the needs for training and financial support; specify the criteria for determining the penalties; and eliminate the conflict of interests in financing of the NAPC;
- Determine a legal framework for completing the internal public financial control and consolidate the Court of Accounts as a supreme audit institution;
- Create a transparent system for sustainable financing of the roads;

- Elaborate an Action Plan for improving the energy efficiency; increase the use of renewable energy and consolidate the corresponding institutions; this should be accompanied by a financial plan, quantitative objectives and implementation terms;
- Effectively implement the market liberalization initiated at the 1st of January 2004 and support the creation of a competitive environment.

6. Conclusions and policy recommendations

The implementation of the European Union – The Republic of Moldova Action Plan was in fact a real test for the Moldovan government capacity to coordinate and implement effectively policy. Regrettably, upon conducting a rigorous assessment of the outcomes of Plan implementation, the authors of this study can assign only a minor grade to the Moldovan governmental performance. If the Government of Moldova was to start membership negotiations with the EU today, it would not be able to accomplish this task.

It is certain, that the self assessments the Government intends to make will be more optimistic. Taking into consideration the previous report of the European Commission and the declarations of the European officials, it is possible that the European Commission will be less critical also, trying to keep a diplomatic message. While encouraging the Government to implement the European integration policy and being ready to offer support in our areas of specialization, we believe that it is better for the Government to recognize the faults in implementing the EURMAP rather than show a false satisfaction as result of mild diplomatic evaluations or subjective self-assessments. A Government able to listen and to consider the critics has more chances to have Moldova join the European Union, rather than a Government avoiding dialog and indulging itself in illusory "success".

The major conclusion of this screening report is that the implementation of the economic stipulations of the Actions Plan by the Government of the Republic of Moldova advanced unevenly from one sector to another, while the general progress could have been much more consistent. The results of the screening suggest that the implementation of the economic part of the Actions Plan can be qualified as "minor-moderate progress". The progress would be more evident if there were no delays in implementing reforms, adopting laws and government decisions, adjusting standards left for the second half of 2007 or even for the beginning of 2008. From here results the answer to the question formulated in the introduction to this report: after three years of implementing the Actions Plan the Republic of Moldova get closer to the European Union from economic point of view. However, the positive achievements are so fragile that they can easily regress, if the "European integration" will only remain political rhetoric and not become a daily routine of the state administration.

The government will have some time (probably the entire 2008) to implement the most important issues left, after which it will be possible to enter negotiations for a new agreement with the European Union. Regardless of how the new partnership document will be entitled, it is necessary that Republic of Moldova be able to formulate and defend its interests during negotiations. The government should insist that the new document contains more relevant provisions for Moldova unlike EURMAP. The assistance provided by European Union and other countries which went through similar negotiations would facilitate essentially the adoption of European standards in several sectors. The government should obtain a more consistent financial and technical support from the European Union and its members but also it has to increase its capacity to assimilate this assistance.

The EURMAP's implementation disclosed a series of systemic institutional weaknesses that affect not only the EURMAP but also the implementation of other development strategies as well. In particular, the major factors of the failure that have prevented a better implementation of EURMAP (see section 4) could undermine the implementation of the National Development Strategy for 2008-2011. In order to ensure a good realization of the development policies and effective implementations of its obligations in the new agreement with the European Union, the Republic of Moldova's Government should take into consideration the following recommendations:

- ☞ We consider that it is necessary to create and to ensure the effective work of the policy analysis and planning units in all the ministries, with financial and technical support from donors. Without these entities it is difficult to imagine a more efficient process of implementing any agreements with the European Union. Without these units, the ministries cannot take on Actions Plan provisions, operationalize them, implement and report the results. If this obstacle is not removed, it will further obstruct implementation of any national development strategies.
- ☞ There should be a clear division of responsibilities as regards the European integration policy between the Ministry of Economy and Trade and the Ministry of Foreign Affairs and European Integration. In the process of the Actions Plan implementation, we have perceived a rivalry, rather than an efficient collaboration between the two ministries. It is obvious that the Ministry of Economy and Trade has sounder institutional capacities for the coordination of policies, including most of the areas relevant for the process of European Integration, and should therefore get involved fully in the negotiations of the future new agreement with EU and in the coordination of its implementation. On its turn, the Ministry of Foreign Affairs and European Integration should have the main source formulating Moldovan foreign policy, producing a clear European message unspoiled by the declarations, sometimes inconsistent, of other public authorities.
- ☞ It is necessary to elaborate an integrated informational system that would facilitate exchange of information, data and analytic reports between ministries, governmental agencies, departments, Central Bank and National Bureau for Statistics. The activity reports should have a standard structure, refer to performance indicators and be based on the evaluation of the policy impact rather than being purely narrative. Such a system would considerably

facilitate the elaboration of objective and consistent reports on the government's activity.

- ☞ While implementing the Actions Plan we have become aware that the government, ministries and agencies, prefer to elaborate policies according to the "matrioshka" principle. I.e. when a certain development strategy is being elaborated, it frequently refers to future strategies, new programs, additional plans etc. This alters the elaboration of truly strategic planning documents and generates inflation of "strategies", "plans" and "programs", many of which do not have any practical impact. In fact, this is a way of avoiding responsibilities. The same difficulties affect the implementation of the legislation. While implementing the EURMAP there were a series of laws elaborated that do not have a direct juridical effect or require amendments or adoption of new laws, decisions and regulations etc. Both national laws and governmental strategies should have a direct application, without sophisticated "mechanisms".
- ☞ The Ministry of Economy and Commerce, as an institution that coordinates the development strategies, should elaborate a set of standards of strategic planning which are to be compulsory for all public bodies. Thus, in the future there will be fewer useless documents as it was the case of documents elaborated within the EURMAP timeframe. The standards should set the structure of the planning documents, elaboration stages and procedures of consulting stakeholders, methodology for analyzing alternative policies, financial planning principles, coordination with other documents, setting up performance indicators etc. Having the strategic planning standards would require a **mandatory prior assessment** of the impact of any development strategy in respect to social impact (poverty, inequality, discrimination), economic impact (impact on the business activities), environmental impact, as well as financial impact (i.e. impact on the public budget).
- ☞ A better correlation of the policy elaboration process with the budget elaboration can be achieved only by replacing the annual state budget planning with two- or three-years budgeting cycle and having the middle-term budget approved by the Parliament. Currently the budget surpluses are frequently used to finance sectors which are not of priority. The Parliament "is asked" to pass these decisions post-factum. These practices have to be eliminated, as the Parliament has to determine ultimately the allocation of additional financial resources which were collected. From its part, the Government should improve its forecasting capacity as regards the budget revenues (underestimated systematically in the last 3 years), in order to maximize the allocated resources for priority projects.
- ☞ The state budget did not have enough resources to meet a number of actions stipulated in the Actions Plan while many of these actions have to be implemented urgently so that Moldovan exporters can benefit of the Autonomous Trade Preferences. For instance, it is expensive to equip the sanitary and phytosanitary laboratories but this is absolutely necessary. A solution for this problem would be to transfer to private companies the management of testing and laboratory services, especially for products that do not bear any food security risks or other social risks.
- ☞ Another sector which suffered because of lack of financial sources is the technical standards and regulations. Moldova is trying to adjust (very slowly) its

national standards to the European ones, while preserving at the same time some GOSTs regulations which remained from the Soviet times. We consider the best solution for Moldova is to take over the technical European standards and regulations rather than to adjust the existing ones. This process could start with a number of critical areas (as Bulgaria did).

- ☞ One conclusion from the implementation of the Actions Plan pertains to poor interactions between the public and the private sectors. There is an antagonist relationship between these sectors, which diminishes the development of several projects. A solution would be to create Boards of Experts in each market regulatory agency and Boards of Directors for the administration of the Road Fund, Export Support Fund, and the Fund for Supporting SME. These Boards should represent both the customers and market operators, and be entitled to have more than consultative responsibilities in resource administration and decision making. These councils would permit to initiate the dialog, which currently is more often spoken than practiced, between the government and the private sector.
- ☞ Even though financial institutions and international and foreign donors have their own control and reporting standards, we consider that it is necessary to find out ways to harmonize the procedures for assessing. This would enable more rational allocation of additional budget resources and enhance the development results.

Annex 1. EU - Moldova Plan of Actions: screening the implementation of the economic actions

Conventional acronyms used for evaluation: **???** - major progress, **??** - moderate progress, **?** - minor progress, **S** - stagnation, **R** - regress

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
	2.3 Economic and social reform and development			
	Improve welfare			
	<i>(17) Take significant steps to address poverty, notably by improving targeting and effectiveness of social assistance</i>			
?	Adopt and progress in implementation of the Economic Growth and Poverty Reduction Strategy Paper (EGPRSP), identifying short term and long term priorities, endorsed by international donors based on the three pillars of poverty reduction identified in the I-PRSP of 2002	EGPRSP was elaborated and adopted to implement during 2004-2006. Due to implementation deficiencies, the period was extended until 2007. In 2007 there was a National Development Strategy elaborated and adopted (2008-2011), having the same goal as EGPRSP, but different in terms of content.	During the EGPRSP implementation period, the economic growth continued while poverty increased.	<ul style="list-style-type: none"> • Lack of correlation between EGPRSP priorities, fiscal and budgetary policies from MTFF and allocation of expenditures in annual budgets • The policy monitoring entities from the ministries, do not work properly with some exceptions. • Slow collection and late publishing of statistical data, which is not full. • Lack of certain standardized procedures for inter and intra reporting of the ministries.
	<i>(18) Redirect public expenditure to significantly address child poverty and to increase primary school enrolment.</i>			
???	Implement relevant conditionalities on Poverty Alleviation and on Social safety net agreed within the framework of the EU Food Security Program.	Lack of information on Moldova's participation in the EU Food Security Program.	Impossible to evaluate	<ul style="list-style-type: none"> • The Ministry of Foreign Affairs and European Integration has to publish an informative note on Moldova's participation in the EU Food Security Program and relevant conditionalities.
?	Develop community based child protection measures in particular in the countryside in collaboration with local governments.	The strategy for reform of the boarding system for childcare was adopted only in July 2007, stipulating that the number of children placed in residential institutions will decrease in 2008-2012 from 12 th to 9,6 th. In order to prevent institutionalization and provide social reintegration of children, the strategy stipulates that communities and public authorities will have a major role. In October-November 2007, the Government adopted the decision on establishing a	However because of delay in conceptual reform elaboration and implementation these had not a sensitive impact. A major impact is not expected in the near 1-2 years either.	<ul style="list-style-type: none"> • Increase the role of Ministry of Social Protection, Family and Child in monitor and coordinating the implementation; currently there is a risk of overlaying the responsibilities with the Ministry of Education and Youth. • Allocate transfers with special destination from state budget to local budgets, because it is expected that 220 mln lei out of 250 mln lei which represent the total cost of the Strategy

Evaluati on	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
		Commission for Child Social protection and adopted the regulation for this commission. In April 2007, the Government adopted minimal quality standards for childcare, education and social interaction in the boarding institution.		have to be funded from local budgets.
Ⓢ	Rationalize child benefits and improve effectiveness of assistance to families in need	The progress in implementing these actions is not significant. By 2005, there were 4 types of benefits for families with children. Only one type of these benefits is paid after verifying the income.	In 2005-2008 the child indemnities increased, but not rationalized. Three biggest benefits are allocated universally without testing the income. The impact of monthly benefits for childcare on child poverty is minor, because it is very small (50 lei).	<ul style="list-style-type: none"> It is impossible to rationalize the child benefits and increase the welfare of poor families without reforming the social protection system. If this policy will be based on social payments for social categories, a significant part of these resources will be wasted for beneficiaries who were not supposed to be part of the system, while remaining resources for child protection will be too small. There is no political will for introducing a radical social protection reform.
↘	Remove factors limiting access to education for poor families' children and improve their access to primary and secondary education, in particular in the country side.	There were no significant actions taken for alleviating the situation related to rural children access to education. The child benefit for school age children has not increased since 2004, while current amount (50 lei) covers only 2% from the minimal existence level for children aged 7-16 years.	The impact of lack of measures is negative. The net rate of enrollment in primary and secondary education decreased from 91,0% and respectively 88,5% in 2004 to 87,6% and, respectively, 86,1% in 2006. The gross enrollment rate in primary and secondary education decreased from 97,9% and respectively 92,5% in 2004 to 94,4% and respectively 90,5% in 2006.	<p>The essential factors which obstruct access to education are:</p> <ul style="list-style-type: none"> Poverty Lack of control from emigrated parents Irresponsible parents who involve their children in household work and economic activity. Bad community and inter-community roads. Bad or complete absence of heating in schools.
Sustainable growth, consolidation of public finance and addressing the issue of internal public debt				
(19) Strengthen economic growth and make it sustainable over the medium term.				
↗↗↗	As a vital step toward sustained economic growth, enhance macroeconomic stability through a sound monetary policy aimed, i.a., at containing inflation and a	In 2006 there was a Memorandum signed with IMF concerning Economic and Financial Policies for 2006-2008; while in 2007 the Memorandum on economic and financial policies for 2007. The document includes RM engagements within PRGF, which stipulate	After the Memorandum was approved, the Government of RM received 17 mln USD, and in 2007 another 46 mln USD for diminishing the negative impacts of „external shocks" on national economy. In July 2007,	<ul style="list-style-type: none"> Even after signing the Memorandum with IMF, Republic of Moldova did not manage to fulfill all stipulations, especially the ones related to inflation. In order to maintain relations with IMF, it is necessary to make considerable effort

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
	fiscal policy aimed, at achieving debt sustainability. In this context, an early agreement on a new program of reforms with the IFIs is key to securing policy credibility and to open access to concessional external assistance, including by the EU. In this context, the preliminary agreement on new reform program with International Financial Institutions (IFI) is a key element for consolidating the policy credibility and provide access to concessional foreign assistance, including from EU.	favorable credit conditions for increasing the currency reserves. The credits are offered for 10 years with a 5,5 years grace period and 0,5% annual interest rate. These credits are used for supplementing the currency reserves and avoid breaches in balance of payments. The cooperation document between RM and World Bank is the Assistance Strategy for 2005-2008. The Strategy stipulates a credit program worth 90 mln USD, during 3 years. Several projects financed by World Bank were launched: Project „Investments in rural services” , Project for improving the competitiveness, Project for managing public finances, Qualitative rural education Project for controlling the bird flu, Program for road management.	during an evaluation of economic performance of Republic of Moldova, IMF allocated another 33 mln USD. This contributed to increasing the currency reserves which by the end of 2007 totaled 1,333 bn USD. This amount covers the 3 month value of imports. Signing the Memorandum facilitate access of Moldova to the Paris Credit Club for restructuring the bilateral debts. For achieving the stipulations of the Memorandum, NBM became more independent. It was then possible to sign finance agreements between European Commission and Republic of Moldova. The external technical assistance increased, reaching 25% of total assistance allocated to Republic of Moldova.	to provide price stability. In this context, NBM initiative for targeting inflation is welcomed, but requires the Government to cancel all economic policies because they contradict the priority objective of NBM <ul style="list-style-type: none"> • In order to keep the budget deficit at 0,5% from GDP it is necessary to provide budget revenue stability. The „zero” taxation of economic agents in 2008 represents a threat for budget revenues, which made IMF concerned for.
77	Achieve a long-term solution to the external debt problem through a combination of a rigorous and credible fiscal policy and debt rescheduling/restructuring in agreement with creditors.	In May 2006, members of the Paris Club signed a protocol with bilateral creditors for restructuring the foreign debt of Republic of Moldova. The debt reimbursement is being accomplished according to the law on state budget. However the fiscal policy of Republic of Moldova cannot be considered rigorous, because of system deviations when collecting the revenues and executing the expenditures or by means of actions which endanger the budget revenues (fiscal amnesty)	According to the signed protocol, 150 mln USD of RM debt were consolidated by December 3, 2000. The growing share of indirect taxes in budget revenues, which remains relatively high represents the only source for stable revenues in state budget, which makes the Government take a rest in promoting some radical economic reforms.	<ul style="list-style-type: none"> • The low capacity of local and central authorities to forecast the revenues during planning does not allow an efficient distribution of financial resources by groups of expenditures and implies frequent changes of budget laws. • The responsibility of primary budget executors is small, particularly related to executing expenditures.
77	Adopt a comprehensive MTFF, covering the 2004-2006 period, integrating the central government budget, the local government budgets, the public social insurance budget, extra-budgetary funds	MTFF was adopted as an annual exercise of fiscal policies for integrating the state, local, social insurance budgets. Since 2005 the MTFF has been extended to some territorial units. Even though the need to correlate MTFF with EGPRS is mentioned, and during 2006-2010 to correlate with National	The budgetary process has been improved, in particularly in areas of investment planning and administration. Transparency of the budgetary system increased as a whole. However the correlations between MTFF and EGPRS (NDS) could	<ul style="list-style-type: none"> • Even though MTFF is the foundation of the budgetary system, it is not presented to the parliament for debate or approval. Lack of strong engagement brings frequent changes in budget allocations after MTFF is adopted. • The macroeconomic and fiscal

Evaluati on	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
	as well as external financial assistance. The MTFF will be based on sound macro-economic projections, and will be consistent with the EGPRSP and the programs to be agreed with the IFIs. In addition contingent liabilities should be carefully monitored.	Development Strategy for 2006-2011, the correlation of these documents is far from being perfect.	not be accomplished because of absent synchronization of procedures and chronology of these documents.	forecasts are affected by the lack of technical resources which forces considerable adjustments of the budget after the MTFF was adopted. <ul style="list-style-type: none"> • The absence of elaboration process synchronization of MTFF and strategic planning documents makes impossible to plan resources. • There are problems with integral incorporation of the donor support in annual budgets. • It is necessary to develop ministry capacities, for improving expenditure planning according to sector policies.
777	Make progress in reducing the burden of excessive public debt, in particular foreign debt.	Starting with 2005, the absolute volume of the foreign debt of the Government increased at the end of 2007 to 765,9 mln. USD. The share of foreign debt in GDP decreased from 22,37% in 2005 to 16,24% in 2007. The share of expenditures for paying off the foreign debts, decreased from 1,9% from the national public budget in 2005 to 0,9% in 2007. The internal state debt to NBM is reimbursed according to annual budget laws. On December 31, 2007, it constituted 3748,7 mil. lei. By making changes to NBM law from 2006, state crediting by the Bank, including through acquisition of state securities on the primary market is prohibited. In 2007 the law on public debt, state guarantees and re-crediting was applied.	The reduction of foreign debt allows to re-allocated the budget resources from expenditures related to paying off the debt to expenditures for achieving some development objectives. The consequent application of law will insure transparency and sustainability of the general fiscal environment.	<ul style="list-style-type: none"> • The use of foreign credits is not proper monitored by the Parliament and Court of Accounts. The court does not conduct performance audits, but verifies whether transactions were done correctly.
7	Take concrete steps to improve public expenditure effectiveness, transparency and accountability in consultation with IFIs/EU experts. In particular, enhance the	The social expenditures increased during the last years, but we cannot speak about „higher efficiency, transparency and responsibility” when administering these expenditures. During 2006, there was a research on possibility for reforming the fiscal system and increasing the taxes, especially	The impact of social expenditures on poverty cannot be evaluated exactly because budget classification deficiency, as well as because delays in publishing poverty indicators. Nevertheless, the poverty rates increased in 2005, indicating the	<ul style="list-style-type: none"> • In order to increase the impact of social expenditures on the poverty level it is necessary to adopt a reform of the social assistance system and monitor systematically the expenditures. • Fiscal amnesty and discourage tax payers. Public authorities have to speak

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
	incidence on poverty of social spending. Take steps to improve revenue collection and broaden the tax base, particularly by gradually eliminating tax exemptions.	gradual elimination of fiscal concessions. A series of formal fiscal concessions were cancelled, but ad-hoc fiscal concessions were further adopted by the Government, or through Parliament decision. The 2007 fiscal amnesty contradicts the EURMAP measures.	inefficiency of social expenditures. These indicators could not be monitored in 2006, because of the changing calculation methodology of the poverty indicators which cannot be compared with previous year. The social expenditures did not contribute to decreasing the poverty also because of the social assistance system, by means of which the nominative compensations are allocated according to population categories and not according to income. The fiscal amnesty raised discontent of the honest tax payers. The amnesty and tax concession create unloyal competition and obstructs state enterprises, which are the main beneficiaries of these measures to adopt a market strategy. Fiscal amnesty and tax concession can decrease fiscal discipline of honest tax payers.	that these measures will not happen again and eliminate ad-hoc concessions. <ul style="list-style-type: none"> The main cause for fiscal evasion is high social insurance and medical rates, which cannot be reduced because of the low employment in economy. The study on possibility to reform the fiscal system and increase taxes does not indicated clear results in this area and opportunity for decreasing these taxes.
↗	Establishment of procedures for the detection, treatment and follow-up of cases of (suspected) fraud and other irregularities affecting national and international funds	Such measures (in reality applied for national funds) are determined by general legal framework and implemented by a system of control bodies (Court of Accounts, Public Prosecutor's Office, Center for Combating with Economic Crimes and Corruption and Services for Financial Control and Revision).	Even though the Court of Accounts constantly identifies the frauds in using public finances, the cases are rarely solved. Basically this is related to bad functioning of the juridical system.	<ul style="list-style-type: none"> There is no system monitoring of solved cases and measures for eliminating potential future fraud. International funds are not verified by national bodies.
↗	Ensure full compatibility of EG PRSP with Medium Term Fiscal Framework which guarantee fiscal sustainability	Full compatibility was not reached. However the MTFF includes the EGPRSP priorities. For priority sectors there is a large share of local public revenues allocated. MTFF stipulates that for 2008-2010 NDS will correlate with MTFF in 2008, while specific actions stipulated in the NDS Action plan will be included in the MTFF starting with 2009.	As a result of the incomplete compatibility, not always the resources are allocated for funding identified priority development policies.	<ul style="list-style-type: none"> MTFF has to become a document which correlates the State Budget Law with National Development Strategy. This has to be restructured to make possible monitoring and verification of compatibility of these documents. It is necessary to introduce on a large scale budgetary planning based on

Evaluati on	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
				program and performance.
	Functional Market Economy			
	(20) Improve functioning market economy and business climate through appropriate structural reforms aimed also at achieving transparency and predictability of business conditions. Continuous improvement of the legal framework as it is stipulated in the Art. 50 of the APC			
7	Take measures to improve convergence in key areas of Moldovan legislation to EU legislation, notably in the areas identified in this Action Plan. Draw up a work program for regulatory reform, based on (1) a list of actions to be taken and legislation to be targeted by order of priority, and (2) definition of responsible bodies with realistic dead-lines for implementation of such actions, backed up by appropriate financial and human resources and training as well as structures to ensure co-ordination between various administrative bodies.	In February 2007 the Strategy for reforming the state regulation framework of the entrepreneurship and Action Plan for Implementing the Strategy. According to the Implementation Plan there was a law adopted on limited liability companies and was modified the law on joint stock companies. The „single window” principle was not fully implemented. On January 1, 2008 the law on entrepreneurship was applied. In order to harmonize the national legislation to EU, there was developed a law on accounting and Law on audit. A project Law for currency regulation was elaborated as well.	The specified laws were adopted at the end of 2007, or 2008, which makes impossible to evaluate their impact. In the meantime Republic of Moldova position in the world ratings did not improve.	<ul style="list-style-type: none"> • The terms for implementing the regulation reforms were not respected several times. • Weak collaboration between responsible institutions. • It is necessary to quickly impalement on a large scale the „single window” principle
⑩	Ensure that basic regulatory bodies are fully operational. Draw up a program for 'flanking' measures, including improved standards of drafting of legal norms and regulations, ensuring appropriately functioning of regulatory bodies and accompanying implementation measures.	National Agency for Energy Regulation and National Agency for Telecommunication Regulation did not become more independent from the financial and administrative points of view. Their budget are approved by the Government, directors are appointed and dismissed by the Government, while decisions are only pushed after approval of the Ministry for Justice. National Agency for Consumer Rights Protection was created only in February 2007, however due to its responsibilities its actions can be perceived	Because of the absence of real independence, the decision implementation entities, usually promote decisions which are satisfactory to the Government and unfavorable for market entities. It is obvious that there is interest conflict within NACR. It applied fines which disappointed several businesses. Establishing the amount of the penalties is not regulated with any normative act, while the law on competition protection stipulates	<ul style="list-style-type: none"> • Financial and administrative dependence of the regulation entities for the Government, which limits their efficiency. • In order to avoid the abusive actions of the NACR it is necessary to revise the legal framework regulating competition. • Regulation entities have to elaborate clear procedures and standards for adopting decisions. These procedures have to correspond to regulation principles specific to the Strategy for Reforming the Regulation framework.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
		as abusive. No regulation body has explicit standards for adopting decisions and elaborating normal documents.	transfer on NACR 20% from the received money which contributes to establishing high penalties	
77	Optimize administrative requirements for companies (approve the relevant juridical basis; implement and simplify the reporting and administrative responsibilities scheme; minimal limitation of the number of licenses and permissions for starting an economic activity)	There was a law adopted on state registration of legal entities and sole proprietors which aimed at simplifying the registration and cut down the number of documents necessary to fill, as well as time frame for accomplishing this (it will be adopted in spring 2008). There were changes in the law on joint stock companies and adopted a new law on limited liability companies. The law on licensing certain types of activities was modified. This helped to take out some uncertainties concerning the applied terminology. The law on accounting makes it easy to compile fiscal and statistical reports.	The number of days for registering a business was reduced last year to 7 days and there is one procedure less to undergo when registering the entity. However the one window principle has not been applied in practice for registering and liquidating the enterprise. According to Cost of Doing Business study the number of licenses slightly decreased since 2005 and it is now 5 days faster to obtain license. However the list of activities has not changed significantly. It reduced by combining certain types of activities into one. The country situation in international rating on business climate did not improve significantly.	<ul style="list-style-type: none"> The existence of some non formal regulation or verbal, obstruct the successful implementation of the legal acts. The Cost of Doing Business 2007 study emphasized the growing number of grey payments in 2006 compared to 2005 when registering the enterprise. The data for 2007 has not been published yet.
71	Examine and implement best practice on consultation and notification of economic operators on new regulatory measures (transparency) and ensure sufficient time for adaptation to these new regulations (predictability) of business. Develop dialogue with investors and entrepreneurs on how to improve business climate.	The state commission for regulating entrepreneurship is assisted by a work group of entrepreneurs, who examine the law projects which have an impact on their activity. The projects elaborated by MEC (law projects, strategies, Government decision) are published on Ministry's internet page. The Association of Foreign Investors from Republic of Moldova elaborated proposals for overcoming existing problems concerning investments published in the 2 editions of the „White Book”. They were analyzed for the first time by the Work Group of the State Commission for regulating the entrepreneurship in June 2007.	There was a more intense collaboration between the Work Group of the State Commission for regulating entrepreneurship and Association of Foreign Investors from Republic of Moldova concerning proposals published in the „White Book”. There are however tensions after the laws were adopted. An example of such is the discontent of the patent holders after adopting the law on entrepreneur patent which limited the number of license activities. Another example is the interdiction of bulk wine export, which does not fall under none of the two criteria.	<ul style="list-style-type: none"> Most frequently it is about information rather than consulting the entrepreneurs. Public authorities disclose to public laws that have already been adopted and not project laws. The public interest is not high either, and it reacts late.

Evaluati on	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
↗	Establish a suitable environment for companies, e.g. adopt and implement effectively competition and bankruptcy legislation.	În 2006 there were important modifications to the law on insolvency. The changes stipulate the purpose of the law and eliminate several definitions, which previously raised questions from international financial institutions and some private local companies. The reason for this is absence of fiscal discipline and free competition. In order to fulfill the engagements for protecting the competition the Government adopted establishing the National Agency for Protecting Competition, while the law on competition was not updated yet. In place the Government changed the law on state enterprises for making them more competitive.	According to the Doing Business 2007 report the time and costs for liquidating a business did not change during last 3 years. The impact of NACP launch on competition is not clear yet, but it is obvious that a range of areas benefit from state support and there is a limited competition (ex. telecommunication market and internet services).	Legislation concerning competition has to be revised, especially for establishing clear methodology and instruments used for detecting and monitor anti-competition actions and control limits. The monopoly activity is regulated only by Regulation on monopoly control. Therefore it is necessary to have a law on natural monopolies, but its project was returned from the Government because the natural monopolies are regulated by corresponding legislation. Still, the proposed project has to be modified especially concerning the areas where natural monopolies operate.
<i>(21) Implementation of privatization program, covering in particular outstanding large scale privatization as a priority and the energy sector.</i>				
↗	Continue to improve the interface between Public and Private sector in line with WB recommendation	A law project was elaborated on public-private partnership. However it long time already since it is being examined, and there are few improvements in this area.	There is no sensible impact	It is necessary to accelerate the adoption of law on public-private partnership, which will determine the mechanism for implementing this partnership and sharing the risks which may result from this partnership.
↗↗	Accelerate and increase transparency of privatization program, covering in particular large scale privatization in key sectors.	The privatization program for 1997-1998 was abrogated, and extended until 2007. This program was least transparent. În may 2007 the law on selling state property was passed. Meanwhile the privatization policy is not clearly defined in a range of areas (fixed line communication, energy, tobacco).	The law was recently adopted and its impact cannot be estimated. The IMF representative in Moldova considers this law is "an engagement of the Government concerning privatization size and transparency". In November there were already first transaction registered at the stock exchange. Shares of 33 companies were sold which worth 76,56 mln lei. In March	The law on administration and privatization of the public patrimony comprises 179 objects, which include: JSC "Rețelele Electrice de Distribuție Nord", JSC „Rețelele Electrice de Distribuție Nord-Vest”, JSC „Centrala Electrică de Termoficare Nord”, „JSC Centrala Electrică de Termoficare nr.1” and JSC„Centrala Electrică de Termoficare nr.2” from Chisinau. The Energy Strategy

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
			the Stock Exchange will host more transactions of state enterprises.	of Republic of Moldova stipulates that by 2020 ¹ the state owned distribution networks and other 3 generating capacities will be privatized.
	Regional and Rural Development			
	<i>(22) Promote balanced regional development; reduce economic and social disparities across the country</i>			
⑩	Implement measures on regional and rural development, taking as a basis the approach envisaged in the EG-PRSP and using an integrated approach that builds on results of donors' past activity in the country, as well as on EU best practice.	The Parliament elaborated the nr. 435 from 28/12/2006 cu on administrative decentralization and Law nr. 436 from 28/12/2006 on local public administration. The law on local public finances was modified. Having financial support from donors, the Parliament elaborated the Law nr. 437 from 12/12/2006 on regional development. It elaborated the methodology for calculating the Multiple Deprivation Index. In the National Development Strategy for 2008-2011 regional development was identified as major priority.	There is no significant impact on taken actions. The administrative decentralization process did not take place. The law on regional development does not function because until today there were no institutions or necessary regional entities (Regional Councils for Development, National Coordination Council for Regional Development or Agencies for Regional Development, National Fund for Regional Development). The Multiple Deprivation Index is not used in the analysis process of the policies and public resource allocation.	It is necessary to clarify the role of the Ministry of Public Administration in the regional development. Today the capacity of the MPA in elaborating and monitoring the policies is very reduced. It is necessary to establish urgently the Regional Councils for Development, the National Coordination Councils of the Regional Development and Regional Development Agencies. Also it is required to establish National Fund for Regional Development which will be part of the national system of the public finances. The public expenditure policy, especially the one dealing with allocating investments, has to be built using the Multiple Deprivation Index. The same refers to regulations concerning budget expenses approved by the Ministry of Finance, based on which the local budgets are being calculated.
➤	Develop plan and undertake specific actions to promote growth of SMEs in regions and in rural areas	In 2006-2007 the technical assistance project financed by EU "Development of the SME in the rural areas", worth 1,9 mln euro. Other essential activities aimed at the rural area of SMEs were not taken into account.	The impact of the mentioned project cannot be evaluated because there is no information concerning the results of the mentioned project. There is no support infrastructure for SMEs in the rural area. If we ignore the agricultural sector, 95% of SMEs in the	Agriculture is the dominant activity in the rural economy, which is not market oriented. SMEs have to be encouraged to develop primary activities for processing agricultural products. The majority of entrepreneurs in the rural area need first of all not financial

¹ The Strategy was adopted through a Government Decision nr. 958 from 21.08.2007.

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			rural area work in commerce.	resources, but training and continuous informational assistance.
	Employment and Social Policy			
	<i>(23) Strengthen dialogue and co-operation on social matters. Ensure a closer approximation of the country to EU standards and practices in the area of employment and social policy</i>			
7	Engage in a dialogue on employment and social policy with a view to develop an analysis and assessment of the situation and to identify key challenges and policy responses (social and civil dialogue, health and safety at work, gender equality, labor law, employment policy, social protection and inclusion) gradually moving towards EU standards in this field.	The Confederation of Free Unions „Solidaritatea” merged with Confederation of Unions from Moldova (CNSM), which has now 720 th members. There was a new project law adopted on health and work security in fall 2007. The national Plan „Promoting gender equality for 2006-2009” was adopted ² . The changes of the labor legislation took place in 2006 in the Labor Code (LP8/09.02.06, MO83-86/02.06.06 art.362), especially concerning employment, employment contract stipulations, work schedule, rest time and lay off. The National Strategy on Employment Policies of the Labor Force in Republic of Moldova during 2007-2015 ³ was adopted on May 31, 2007 following the EU instructions concerning labor employment. Another result was launching the employment portal www.jobmarket.gov.md .	The impact on these measures is insignificant, and employees in the national economy continue feeling discriminated in labor relations. The law on health and labor security has not been adopted yet. There are no institutions clearly identified and their responsibilities concerning labor equality. The labor code stipulations are not implemented. Labor rights violation continues to take place by employment without contract, inadequate remuneration, including minors. Employment indicators in 2005-2007 went constantly decreasing. Performance indicators of National Agency for Labour Employment certify an inefficient work. The impact of the Strategy on employment policies cannot be currently evaluated. For labor employment there are “national employment plans” adopted (January 2008).	Despite the merger, there is still no real independence of the unions from state. The constant number of work accidents (54 lethal cases in 2007) and work health and security standards, which imposes elaborating a national labor security program. The allocated resources for accomplishing the Plan for promoting gender equality are not certain. The dialogue between state authorities and private companies on legislation which regulates labor relations does not bring results, especially when it comes to salary and social insurance. The national actions plans for labor employment have to be elaborated after consulting with private companies. Several of the planned measures are difficult to accomplish, the implementation terms are not stable, so are resources and evaluation methods.
	Sustainable Development			

² Hotărârea Guvernului Republicii Moldova nr. 984 din 25.08.2006

³ Hotărârea Guvernului Republicii Moldova nr. 605 din 31 mai 2007.

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	<i>(24) Promotion of sustainable development</i>			
⑩	Take first steps to implement the national long-term strategy on sustainable development.	There have been no essential actions taken. The Sustainable Development Strategy Moldova-21 adopted in 2000 is not monitored anymore and was taken off from the policy agenda of the Government or Ministry of Ecology and Natural Resources. In the National Development strategy the sustainable development aspects are ignored.	Generally, environment conditions had worsened recently because of the economic activity and bad management of the natural resources. Water in small rivers continues to be polluted. On average 87% of underground waters contain nitrates over the limit. Air pollution increased during 2004-2006. Intense soil degradation continues. Major infrastructure projects are launched without ecologic expertise (example railroad Cahul-Giurgiulești).	At first stage it is necessary that MENR prepares a report on situation concerning Sustainable Development Strategy and actions which are taken regularly for integrating the sustainable development principles in the governmental policies.
⑩	Complete the establishment of administrative structures and procedures to ensure strategic planning of sustainable development and co-ordination between relevant actors	No essential measures we taken	Because of the lack of certain competitive and responsible administrative entity, there is no enough coordination and strategic planning of the sustainable development.	In the national development policies aspects related to environment protection and sustainable development are ignored. The first step for building efficient administrative entities is establishing a function of President counselor for environment protection and sustainable development.
↗	Take steps to further improve integration of environmental considerations into other policy sectors, particularly industry, energy, transport, regional development and agriculture.	In the final version of the National Strategy for Development 2008-2011 the priority task „Regional Development” includes major objective for „Consolidating the prevention measures for environment pollution and efficient use of natural resources for health and life quality reasons”. As a result of some major circumstances (drought 2007) a State Commission for Elaborating National Strategy for Sustainable Development of the Agro industrial Complex of Republic of Moldova was established ⁴ . Some general	Despite integration of the environment issues in the NDS, the resources which were allocated for achieving the sustainable development objective are reduced, while the role of the Ministry of Ecology and Natural Resources in implementing NDS is small. There was elaborated the National Strategy for Sustainable Development of the Agro industrial Complex of Republic of Moldova during 2008-2015 ⁸ . The impact is not	All sector development strategies have to be signed by the MENR, while government decisions have to be signed by Minister of ecology and natural resources. MENR has to get involved in monitoring the ecologic impact of the sector development strategies. It is necessary to extend human and technical capacities of the MENR and subordinate institutions for monitoring the impact on the environment.

4 Decree of the President of the Republic of Moldova Nr. 1275 from 02.08.2007.

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		sustainable development measures were incorporated in the Industry Development Strategy by 2015 ⁵ . The issues related to environment are better formulated in the new Energy Strategy by 2020 ⁶ . Some aspects for minimizing the negative impact on the environment can be identified in the Land transport infrastructure strategy for 2008-2017 ⁷ .	visible yet, because the Strategy was recently adopted. Industry development strategy by 2015 and Strategy for land transport infrastructure for 2008-2017 were not signed by the minister of ecology and natural resources and are not monitored by MENR. The energy strategy was signed by the minister of ecology and natural resources, but it is not implemented yet, which makes difficult to appraise the impact.	It is necessary to establish some evaluation procedures for appraising the ecologic impact of politicians.
⑩	Implement the national long-term strategy on sustainable development.	See action 25	See action 25	See action 25. In EURMAP the implementation of this strategy is a long term objective. It is necessary to elaborate a project of Sustainable Development Strategy, which does not have to repeat, but complement the NDS in areas where the impact on environment is more important.
2.4 Trade related issues, market and regulatory reform				
2.4.4 Movement of goods				
Trade Relations				
77	Full implementation of PCA commitments in title III, and fulfillment of all obligations linked to WTO membership	The engagement were fulfilled only partially. The most important steps were adopting the Law nr.325-XVI which stipulates accomplishment of engagements related to custom tariffs and initiating National Program for technical regulations. Also, the government managed to sign the protocol for Agreement from May 29 2001 between Republic of Moldova and Russian Federation	Derogations from engagements obstruct the trade and reduce the competitiveness of Moldovan companies. The not motivated tax exemptions have a negative impact on competition principles between companies. Republic of Moldova Actions can be replicated by its trade partners, which will harm Moldovan	Abrogation of decisions which contradict current legislation and represents derogation from engagements to WTO. Elaboration of notifications to be transmitted to the General WTO Secretariat.

⁵ Decision of the Government of the Republic of Moldova Nr. 1149 from 05.10.2006

⁶ Decision of the Government of the Republic of Moldova nr. 958 from 21/08/2007.

⁷ Decision of the Government of the Republic of Moldova nr. 85 from 01/02/2008.

⁸ <http://www.maia.gov.md/ftp/2007/proiecte/Strategia%20final.doc>.

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		concerning indirect taxes in mutual trade. However several engagements are not fully respected. There is a number of regulations which were not published in Monitorul Oficial or contradict the national legislation and VAL Agreement (for example Government Decision 870 on monitoring import trade transactions, Indication to the Customs nr. 361 from 25.09.2007, etc.). Sometimes the procedures for customs evaluation are not respected. Customs tariffs and safeguarding measures are applied with deviations from WTO rules.	exporters.	
77	Gradual removal of licensing requirements which are not in conformity with Moldova's WTO and PCA obligations and transparent engagement thereof	The number of licenses reduced, but did only due to their elimination. It is also due to their fusion. In total there were 5 licenses eliminated, and another 3 were added. According to The <i>Doing Business 2007</i> survey, the licenses are not always issued according to the terms. The examples from other regions are not in favor for Moldova. Moreover according to the same study, during the last 3 years there has been no progress achieved related to „Trading Across Borders”, license issuing, time and cost for export-import transactions.	This affects in a negative way the flow of merchandise abroad. In the meantime, this reduces attractiveness of Republic of Moldova compared to other countries in the region.	It is necessary to provide a greater transparency and respect the terms for issuing the licenses according to the legislation. It is necessary to reconsider all types of license activities and exempting from list of license activities the ones which do not have a social hazard, do not imply large scale activity etc. In the meantime it is necessary to clarify the principles which are used for classifying license activities.
7	Efforts to increase transparency of application of regulatory measures	The made efforts were no sufficient. Some decisions are not published (see 29). There are „informal”, as it was in the case with bulk wine export in 2007.	Negative impact on Moldovan exports, country image and local partner companies.	All regulation decisions have to be mandatory published. Companies have to resort to legal actions against informal regulation decisions.
	<i>(25) Promote Moldova's exports capacity and diversification of export products</i>			
7	Promotion of Sectoral groups of producers for joint action for promotion of Exports on foreign markets, as foreseen in MIEPO's programme	MIEPO activities are based mainly on the new Strategy for Attracting investments and export promotion for 2006-2015. The measures are related to organizing the participation of Moldovan producers in several trade fairs, exhibitions abroad.	The impact of these actions is difficult to estimate.	More attention has to be paid for promoting Moldovan exports in South Eastern Asian and American market which are rapidly developing and have a significant consumption potential of Moldovan exports. It is necessary to provide a rigorous

Evaluati on	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
				evaluation of the impact of MIEPO activities, for example the ones which are practical results of the exhibitions and trade fairs, etc.
777	Ensure effective control of the origin of goods in order to be able to fully benefit from the Generalized System of Preferences	The objective was achieved. There were several informational systems launched into exploitation „SICOM” and „SPECIMEN”, which integrate the informational system „ACYCUDA World”	From this point of view Republic of Moldova became eligible for the asymmetric trade regime with EU.	More attention has to be paid for providing information to economic agents on benefits and specifics of the new procedures.
777	Improve institutional framework and procedures on control of origin by reinforcing customs and reviewing the division of responsibilities for the issuing and verification of both preferential and non-preferential certificates of origin with the Chamber of Commerce in order to build a solid basis for possible Autonomous Trade Preferences.	There was a transfer of responsibilities made for issuing the Euro-1 certificates necessary for Moldovan product son European market from the Chamber of Commerce and Industry to Customs Service. In the meantime according to CEFTA stipulations, these certificates are issued for exports of the EU member countries. Besides, starting with January 1, 2008 Customs Services will be responsible for issuing the CT-1 certificates for exports to CIS countries.	From this point of view Republic of Moldova became eligible for asymmetric trade regime with EU.	It is necessary to notify the WTO Committee for Origin Rules concerning the latest document changes concerning product origin.
	Customs			
	<i>(26) Implementation of customs legislation aligned with international and EU standards</i>			
77	Implement provisions of the Customs Code as well as provisions on customs control of precursors, counterfeit and pirated goods, dual use goods, and cultural goods.	Majority of actions were resumed to elaborating some amendments to the Customs Code and/or regulation which would cover these areas. These amendments are now being examined by responsible institutions.	Delaying adoption of these decisions postpones the adjustment of Moldovan legislation to the acquis communitarian.	To adopt elaborated amendments and disseminate information and train the customs employees.
77	Moldova to adopt and keep up to date the HS in use, with a view to adopting the CN	Starting with January 1, 2006, Republic of Moldova adopted the International Convention on Harmonized System of	The revises nomenclature will come into force on 01.01.2008, therefore, it is early to evaluate the results. The	There are only 6 numbers of the Moldovan nomenclature that are harmonized with the EU one. It is recommended to

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
		merchandise description and codification (Law nr. 112-XV from April 22, 2004, published in Nr.077 from 14.05.2004). The nomenclature of goods of Republic of Moldova was revised according to the Harmonized System for Codification and Merchandise description 2007, which was adopted by a government decision nr.1525 from 29.12.2007, which was enforced on January 1, 2008.	Implementation of the Harmonized System will facilitate trade with EU. However it is necessary to make an annual update of this system.	harmonize to 10 digits.
777	Implement the principle of risk based customs control and set the necessary organizational framework	In general implementation is complete. In 2005 the Conception on Administating Customs risk. Further the „Fraud” program was implemented. Starting with July 2006, during the customs clearing of goods there will be implemented the selective principle for goods, and separating declarations by colors: „red”, „yellow” and „green”.	The application of the selective criteria for customs declarations, will help to decrease the random selection of red declarations. There will be 11 selective criteria used for goods of intellectual property, drugs and auxiliaries, which will make customs control more efficient. In 2007 there were 92 selective criteria applied.	It is necessary to cooperate tightly with International Customs Organization and respective services from neighbor countries for permanent information update concerning transport merchandise characteristic („consignment”) which break the customs regulations.
	<i>(27) Improve functioning of customs service; simplify and modernize customs procedures at borders and inland</i>			
777	Strengthen the overall administrative capacity, in particular to ensure effective control of the origin of goods and the correct implementation of customs valuation rules, and provide the customs administration with sufficient internal or external laboratory expertise as well as sufficient operational capacity in the IT area	Republic of Moldova has to join the international convention for harmonizing border controls (Geneva, 1982) and Convention on common transit regime (Interlaken, 1987). The Cooperation with EUBAM and SECI (Southeast European Cooperation Initiative) contributes to providing internal and external expertise. A number of legislative amendments (on customs tariff, antidumping) have to be approved by the Government. There were several equipments purchased for laboratories.	It is difficult to make a qualitative appreciation. On one hand, CoDB 2007 shows a lack of an essential progress. On the other hand the data of the Customs shows growing number of export/import transactions registered (256 th in 2006 compared to 248 th in 2005), as well as the number of passengers (8,3 mln. In 2006 compared to 7,8 mln. in 2005).	The rules for determine the value in customs are not fully respected.
77	Develop a single window approach for all international trade related documentation and control starting by increased co-operation	The implementation of the „single window principle”, the concept of which was adopted in April 2007 is slow– only 4 customs points have these windows. In January 2008 the Government adopted decision nr. 29	Theoretically, using the „single window” principle will make it easier to cross the customs border. However it is still necessary to clear out when this decision will be applied in	Today a number of studies reflect lack of progress related to time of customs procedures. Besides <i>Doing Business 2007</i> , research, another study made by Transparency International in Moldova

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	between customs services and other agencies working at the border (e.g., State Border Guards, Police, and Veterinary Service).	(18.01.2008) which stipulates modifications of some legal acts and respectively transferring the responsibilities from State Phytosanitary Service and State Ecologic Control Commission to Customs.	practice.	(2007), shows that over 40% of respondents consider that speed of customs procedures remained the same as in 2002, while 21% consider that these procedures are made slower. According to the same study, over 40% of surveyed people consider that there have been no changes since 2002 related to customs handling time with reclamations. .
77	Set up a mechanism to ensure regular consultation/ information of the trade community on import and export regulations and procedures.	For information the Customs uses the following instruments: web page, news paper „Vama” (formed „Curierul Vama”), E-channel by means of which users can receive information from customs to their electronic mail, meetings with economic agents.	It is difficult to make an estimation at the moment. The establishment of the Consultative Council and E-channel launch are recent actions and it is necessary for time for seeing the impact.	Apparently not all problems related to export are discussed with business people. For example, restrictions on bulk wine export, the Customs applied after a „phone call”.
7	Adopt and implement a Customs Ethics Policy based on internationally recognised standards (Arusha Declaration).	The ethical code (2005) of the Customs corresponds to the Arusha Declaration (revised in 2003).	The Arusha Declaration stipulates 10 principles for providing Customs integrity. The main objective is to make the customs procedures as simple as possible, transparent and predictable. The Doing Business study (chap. „Trading Across Borders) does not show any considerable progress in this regard. The research made by Transparency International Moldova demonstrates that „...that ### had to bribe customs staff each time when the cargo had to cross the border or had to be cleared. Other 14,2% indicated that it is a frequent practice, 17,9% – rarely and approximately one third (32,6%) – did not pay anything”. At the same time, more than half of respondents (55%) consider that nothing has changed after obtaining preferential trade regime when	It is attested that at least 2 stipulated principles in the Arusha declaration are not respected entirely: regulation framework (confirmation procedures contradict the Kyoto Convention) and transparency (some decisions are not accessible to the public). Even though there is progress in familiarizing economic agents with information of Customs staff about bribing (63,3% in 2006 compared to 47,2% in 2002), this is far from being called combating corruption. More efforts have to be made for combating corruptions in Customs.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
			bribing is still taking place. Practically 70% of the companies emphasize lack of progress when asked whether the Customs treated better in 2006 than in 2002.	
777	Develop EU-Moldova co-operation with regard to risk based customs control, including safety and security of goods imported, exported or in transit.	An important role has the EUBAM Border Assistance Mission. It assists SV in Moldova by implementing the „FRAUDE” program, a number of trainings and seminars related to risk management, study visits for exchange of experience with EU colleagues.	The FRAUDE program is being implemented. However the practical impact is difficult to estimate.	The border assistance mission is only a temporary solution. It is necessary to train national staff and endow national customs with sufficient equipment for conducting independently risk control.
<i>Standards, technical regulations and conformity assessment procedures (EU harmonized areas)</i>				
<i>(28) Move toward EU and international legislative and administrative practices for standards, technical regulations and conformity assessment</i>				
77	Jointly identify priority industrial sectors for legislative approximation (with the possibility to be included in an Agreement on Conformity Assessment and the Acceptance of Industrial Products, ACAA, provided that all the required conditions are accepted and fulfilled) including through consultations with producers and exporters. Continue the revision of existing Moldovan standards, removing the mandatory elements and harmonizing them with international and European standards.	The industrial sectors were identified by elaborating development strategies of the respective sectors: Industry Development Strategy 2006-2015; Food Development Strategy 2006-2015; Energy Strategy 2007-2020. In majority of cases the implementation of these measures is supported by elaboration and adoption of some laws ⁹ . All these measures are made for adjusting national legislation to the stipulations of the international ISO/CEI standards series 17000 and relevant ISO guides. Besides this, there was a development concept of the infrastructure quality of Republic of Moldova. The food laboratory (part of the INSM) was certified by TGA and DAP from Germany. Speaking about National Standards there were 100 European Standards adopted (EN) and 470 International Standards (ISO/CEI). The new modifications stipulate partial elimination of	The harmonization of national standards to the European standards is necessary for Moldova in order to benefit from the asymmetric trade regime. However today the progress is very small.	Instead of harmonizing the national standards to the European ones, it would be better to fully apply these standards in Moldova, starting with the areas where the private sector is prepared for. It is critically important to supply laboratories with equipment for testing food and qualified staff.

⁹ Law on „Technical Regulation”, „modifications and adjustments of the law on standardization”, „General food security”, project „for modifying law on product conformity evaluation”.

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		the mandatory elements, and preserving them only if they stipulate life security, health, heredity and consumer goods, as well as environment protection.		
7	Reinforce institutional capacity on standardization, accreditation, conformity assessment, metrology and market surveillance, integrating the Moldovan institutions, to the extent possible, in the European structures, namely the European Cooperation for Accreditation (EA), CEN, CENELEC and ETSI. Full membership of the International Standards Organizations ISO, IEC and ITU. Revise the institutional arrangements in this area to avoid the concentration of functions within a single institution.	The efforts for consolidating institutional capacities were supported by the TACIS project „Harmonizing the national system of Moldovan standards by means of: training courses and study visits, supplying equipment to the National Standardization Institute (food) and Technical Center for Industrial Security and Certification (oil products). On 01.03. 2007 Republic of Moldova became member-partner of the European Standardization Committee (CEN). It has to be mentioned that a similar statute (CEN defines these countries in its documents, partner countries and not member at the same time)with Moldova has: Armenia, Australia, Bosnia and Herzegovina, Egypt, Russian Federation, Serbia, Tunisia, Ukraine. The Statute of partner countries is allocated to agents for national standardization who are member of the ISO. It is less probable that affiliated countries to CEN will become members because of political or geographic reasons.	Competitive enhancement of Moldovan products by adjusting to European standards.	There is no important progress related to joining CENELEC as a full member (not even as affiliated member, as Albania, Macedonia, Tunisia, Bosnia and Herzegovina, Israel, Turkey, Croatia, Serbia and Ukraine). In ISO Moldova is considered to be correspondent-member (along with Palestine and Myanmar), while in IEC the country is not even an associated member as the Baltic states and Sri-Lanka are. The evaluation of the World Bank on „Increasing the competitiveness in Republic of Moldova" shows that it is necessary to elaborate a new law project for harmonized accreditation according to the European and international reference for signing the EA MLA (mentioned fact in the Action Plan of the Quality Infrastructure).
77	Approximate legislation on liability for defective products and general product safety.	The implementation of the measures was accomplished by adopting Law nr. 422-XVI from 22.12.2006 on general food security. The Law is elaborated according to stipulations of the European Council regulation 2001/95/CEE of general food security	The impact is minimal. The law was adopt don June 16, 2007 and on November 16, 2007 the Government had to report tot eh Parliament proposals for conforming the current legislation to this law.	Consumer protection and information is not sufficient. The work of the Center for Consumer Rights Protection is not visible. Consumer Protection Strategy was adopted only on January 1, 2008. In addition, the process of adjusting the sanitary norms to the European standards is being delayed.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
77	Simplify procedures to avoid compulsory certification of non-risk products and multiple testing of products.	The Producer Conformation Certificate was introduced ¹⁰ . The changes in law on standardization stipulate partial elimination of mandatory elements, and preserving them only they relate to life security, health, heredity and consumption goods, as well environment protection.	The nomenclature of products drafted for conformity evaluation was reduced by 33%.	It is necessary to implement directly in practice the stipulation of the standardization law.
7	Develop market surveillance capacities based on best practice of EU Member States.	The market supervision and evaluation responsibilities were divided. The first were transferred to the Central State Agency for Technical Supervision. As a result the Strategy for Consumer Rights Protection was adopted (2008-2015), which stipulates to adopt 3 EU essential regulations on consumer rights protection in the national legislation.	Because of delays the impact on consumers is small.	It is necessary to endow laboratories working in the market control area.
Elimination of restrictions and streamlined administration (EU non-harmonized areas)				
<i>(29) Facilitate the movement of goods and improve administrative co-operation.</i>				
7	Prevent discriminatory measures and ensure interested parties have the opportunity to identify problems and comment on draft legislation.	Sometimes exporters are asked for advised on law projects, but most frequently this is done formally or post factum. „Consulting" is usually passive, by simply publishing the law projects and other document son institutions' web site (even this is not done systematically). The parties which law applies on, are not asked advice concerning the expected modifications. However these parties are not always prepared to start an open or public dialogue. At the same time, the Government could not abstain from adopting some discriminatory measures when there was no dialogue with entities the law governs. These measures restricted significantly the export of Moldovan goods.	There are legal and normative acts adopted which raise discontent and social protests (canceling the patent regulation for some entrepreneurial activities) distorts loyal competition between economic agents (mandatory export of grains through BUMM) and creates artificial barriers for exports (interdiction for bulk wine export). By generating useless social and economic costs, these documents most frequently do not reach the goals presumed by authors.	The fundamental cause which leads to adopting some discriminatory decisions is the lack of progress for implementing the regulation and administrative reform. The strategy reform of the state entrepreneurial regulation framework and Law on basic principles of entrepreneurship determine a number of important principles – predictability principle, regulation and decision transparency impact and regulation impact analysis principle – have to be applied in practice. Today these principles are not respected.
⊙	Ensure there is a contact point	There was not contact point created. One of	Because there was no contact point	It is necessary to urgently establish a WTO

¹⁰ Republic of Moldova Government Decision nr. 395 din 17.04 2006.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
	dealing with implementation of the movement of goods, which could also be used to improve information flows between the EU and Moldova and to exchange information with operators.	the Republic of Moldova Engagements to WTO (the country joined it in 2001) was to create within the Ministry of Economy and Commerce an information center which will be the central point for implementing the WTO Agreements and will report to WTO secretariat all legal documents and their impact on international trade. There is not institution mechanism for providing consulting on trade policies with industrial and business associations. The information center established in 2001 with DFID support within the Metrology and Standardization Agency is not functional.	created, Moldova does not manage to inform the WTO Secretariat about the changes in trade legislation. This is a risky situation because Moldova will soon enter a Trade Policy Review period and all WTO members will have to go through this mechanism.	Informational Center within MEC which will provide access to information concerning trade for all economic agents or other interested people.
7	Analyze legislation and procedures to identify and progressively remove any discrimination against imported products. Analysis could initially focus on national measures covering the weight, composition, labeling, manufacture and description of products.	There is no systematic analysis of legislation done in Moldova for eliminating discrimination for imports. MEC was informed that a similar study was recently conducted, but the document cannot be accessed for public.	There is no visible impact.	It is necessary to accelerate the process of revising the mandatory standards and introduce the voluntary standards.
Sanitary and phytosanitary issues				
(30) Increase food safety for Moldovan consumers and facilitate trade through reforms and modernization of the sanitary and phytosanitary sectors.				
7	Fully implement the requirements of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) and the Agreement on Technical Barriers to Trade (TBT).	The implementation process is not completed: there were not elaborated all the technical regulations for the de facto application of the voluntary standards, there were not signed any agreements with any member-countries of WTO, with the purpose of accepting the acknowledgement results of the certification procedures. The fundamental principles of WTO are not incorporated in the SPS regulations. Meanwhile, besides the CEFTA agreement,	The approval of the respective norms increases the consumer's and export capacity protection. Meanwhile, the implementation of the respective requirements will result in the increase of the Moldovan products' competitiveness and to the diversification of their market outlets in high price segments. It is recommended to evaluate the competitiveness of the respective	Moldova has bilateral agreements of mutual acknowledgement only with Kyrgyzstan, Georgia, Armenia (WTO members); agreements with other states were not signed. The basic WTO principles are not included in the SPS regulations; there are no regulations on the right to recourse against the decisions of issuing sanitary and veterinary certificates and authorizations.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
		there were not signed any agreements with the partner countries on assuring the transparency in the application of the sanitary and phytosanitary measures. There were created SPS and TBT information centers (with the DFID's assistance) but they are not functional. There was approved a series of sanitary and phytosanitary norms included in the respective WTO agreement.	Moldovan products (as a third country) on the community market.	Practically, there are no mutual agreements for the cooperation with the partner countries on assuring the transparency of the application of sanitary and phytosanitary measures after the adherence to WTO with the exception of the CEFTA Agreement.
77	Accede to the European and Mediterranean Plant Protection Organization and increase its active participation in the World Organization for Animal Health (OIE), International Plant Protection Convention and Codex Alimentarius.	The Republic of Moldova has joined the EMPPO on the 24 th of February 2006. The participation to OIE, IPPC and Codex Alimentarius remains unobserved.	Moderate impact. Facilitates the harmonization of the phytosanitary regulations, providing support in the development of the relevant documents. It is to mention that the agriculture health standards include the lists of parasites defined in the International Plant Protection Convention (IPPC) and the lists of the contagious diseases as defined by the World Organization for Animal Health (OIE), which affect the international trade. These acts are very important for protecting the importing country from the introduction of plant parasites and animal disease.	Moldova continues to use in some sectors the GOST standards as a fundamental basis for monitoring, supervision and inspection. The implementation of the measures foreseen in IPPC, etc. facilitates the transition to new international standards, which are more efficient regarding the protection of the human and agriculture health. A faster transition will assure a higher degree of access to the world agriculture and food markets, while the GOST standards remain sufficient for exports to the CIS market (only at the current moment, as Russia and Ukraine started the transition to the European standards). The financial constraints continue to remain one of the major obstacles in the implementation of the new standards.
77	Assess the sanitary and phytosanitary control systems, in particular, at the state border, to compare with EU and international requirements.	The evaluation was performed with the assistance of the World Bank and FAO in 2005-2006. These organizations have revealed difficulties in the phytosanitary Service capacities to test and diagnose the crossing of the border; the computers and IT networks; the situation of the quarantine center, identification and arbitrage expertise and its territorial units.	An eventual impact is the improvement of the Moldovan producers' capacities to participate in the international trade and to make exports more competitive. These measures permit the Moldovan authorities to intensify the control on the security of the imported agriculture products. For the modernization of the Service there	Despite the evaluation of necessities, there were not allocated sufficient resources for the assurance with technical and human resources of the sanitary and phytosanitary control Service. Some recommendations of the assessment study were ignored, particularly those related to the privatization of some services.

Evaluati on	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
			were bought a series of necessary equipments, including express tests for a fast identification of the quarantine objects at the border crossing points.	
↗	On the basis of the reply by the Commission on Trade in Animal Products, draw up a comprehensive list of measures for gradual convergence towards EU principles of hygiene in food processing, accompanied by timetables for the transposition of EU legislation and a financing plan. Start approximation to EU legislation on the hygiene in food processing.	The Parliament has adopted the Law on veterinary sanitary activity, but the law was not promulgated. The law foresees the reorganization and the restructuring of the state and private veterinary services and the creation of the Agency on Sanitary Veterinary and Security of Products of animal origin. The Ministry of Agriculture and Food industry has elaborated a Plan for monitoring the residues of honey bee, the residues from live animals and products of animal origin, which include also the eggs. With the support of the European Commission, the National Veterinary Diagnostic Center was updated and equipped with modern equipment.	Moldova was included in the list of third countries that benefit of the possibility to export the honey bee on the community market. Another DG SANCO delegation should arrive in Moldova in March 2008 for assessing Moldova's progress; depending on this, there will be decided on the export of other products.	The harmonization process with the community principles is very slow, taking into consideration that the visit of DG SANCO was in the first half of 2005, while the respective plans were elaborated only in 2007.
↗	Increase convergence of food law with EU food safety principles (Regulation 178/2002/EC) and EU general foodstuff labeling requirements (Directive 2000/13/EC); and progressive abolition of pre-market approval systems for food products.	The law on sanitary veterinary activity was approved by the Parliament, but it was not promulgated by the President. In the approval process there were also included the main regulations on hygiene and security of food products and the official controls of the veterinary authorities. There were not performed any actions in regards to the general requirements for marking the food products and those related to the gradual elimination of the approval system before the placement of food products on the market.	These regulations were not approved, thus their impact is null.	It is required to accelerate the process of gradual elimination of the approval before the placement on the market.
↗	Prepare first steps for setting up of an animal identification and traceability system (in particular for cattle)	Even if there was approved the concept on the System for the identification and detection of animals, it was not launched up to the current moment. For the administration of the system there was	The impact is null.	The main problems come from the lack of financial resources for equipping the responsible enterprise.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
		created a specialized state enterprise „Registrul Animalelor” under the Ministry of Agriculture. There was bought the necessary equipment, there were organized trainings of the enterprise's personnel and there were finalized the installation works of the Central Database server and the communications between the territorial working points with the Database server.		
↗	Fulfillment of EU requirements on animal health and for the processing of animal products (c.f.: "General Guidance for third country authorities on the procedures to be followed when importing live animals and animal products into the European Union", DG SANCO/FVO October 2003)	In the context of correspondence with the provisions of the "General guide for authorities from third countries with reference to the necessary procedures to be followed in the case of the export of live animals and food products in the European Union", the Direction of Veterinary Medicine has elaborated 28 regulation acts, 15 are in the process of approval, while 19 are planned for 2008.	The fulfillment of these community requirements will make it possible to export the respective products on the community market. A DG SANCO delegation is expected to arrive with an assessment visit in Moldova in March 2008.	The fulfillment of the community requirements is very slow. Among the most important causes there can be mentioned the lack of financial and human resources and the approval of these norms.
↗	Identify national reference laboratories in the sanitary and phytosanitary sectors, with a special attention given to the necessary equipment and appropriate methods of analysis (residues of pesticides/contaminants) and their accreditation.	In the phytosanitary framework, at the end of 2007 – start of 2008, there was appointed the Ungheni laboratory; the main problem was the lack of financial resources, while the laboratory did not having international accreditation. There were identified and appointed the next reference laboratories from the sanitary sector: The reference laboratory from the veterinary diagnostic and food inoffensiveness framework – The Public Institution The National Diagnostic Center of Veterinary Medicine (CRDV); The regional laboratories for veterinary diagnostic: the North region laboratory – Drochia and the South region laboratory – Cahul;	The implementation of the "phytosanitary" part is in delay. The national reference laboratories from the sanitary sector are in the process of refitting and rehabilitation. Meanwhile, the laboratories network should be optimized. Each state structure, implied in this process, aspires to have its own laboratory. Thus, the tests performed by the regional laboratories are overlapping, which increases the costs and reduces the efficiency of the economic agents.	Another solution is revealed in the PCA reform, which foresees the association of the Phytosanitary Quarantine State Service and the State Inspectorate for Plant Protection, the last one including the relevant laboratories for performing the necessary tests. But, too much time was already lost and this speaks about the reduced administrative efficiency of the respective central authorities.

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		The regional laboratories for food security: North laboratory – Donduseni and the South laboratory – Cahul. The regional laboratories are under the subordination of CRDV.		
	Right of establishment and Company Law			
	<i>(31) Full implementation of PCA commitments in title IV, Chapter II (Conditions affecting establishment and operation of companies)</i>			
777	Complete screening to be made by Moldova of national legislation so as to identify barriers to establishment with the aim of progressively abolishing them.	During the regulation reform there were revised a series of legislative and regulation important acts. Particularly, there was adopted a new law on the state registration of legal entities and of individual entrepreneurs ¹¹ , which foresees similar registration procedures for Moldovan and foreign companies. The law on the investments in the entrepreneur activity ¹² establishes in an express manner that the registration, activation and liquidation procedures of a company with foreign investments have similar procedures as the registration, activation and liquidation procedures of a local company.	There were eliminated all the barriers for the creation of a foreign company.	There are no essential problems in the creation of foreign companies. Meanwhile, the Government has adopted a decision on the creation of a work group for monitoring the flow of foreign direct strategic investments and other related transactions ¹³ . This decision does not define what "monitoring" means and if the strategic investments can be dismissed by the Government, thus limiting the foreign companies' rights. Confusions may also appear because of the fact that the national legislation does not define the notion of "strategic investment".
⊙	Abolish discriminatory measures affecting foreign investment.	The most important discriminatory measure which affects the foreign investments in Moldova is the fact that the foreign investments can not obtain the property right on parcels with agriculture destination and those from the sylvan fund.	This provision limits the foreign investments in the agriculture sector.	It is necessary that this problem in Moldova not to carry a political character and to be discussed with economical arguments. Also, there should be taken into account the practices from European countries, some of which (richer than Moldova is) maintain similar interdictions.
777	Ensure full application of the best endeavor standstill clause so that the conditions for	The conditions for the establishment of companies became more liberal, in comparison with the level at the moment of	Favorable for the external image and for the investment environment of the country.	There are no essential problems.

¹¹ The Republic of Moldova's Law Nr. 220 from 19.10.2007.

¹² The Republic of Moldova's Law nr. 81 from 18.03.2004.

¹³ The Republic of Moldova's Government decision nr. 873 from 03.08.2007.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
	establishment of companies are not more restrictive than when the PCA was concluded.	signing the PCA.		
77	Ensure effective functioning of adequate administrative structures, inter alia, a central coordinating body facilitating establishment	The companies' state registration is performed by the State Registration Chamber. After passing in 2001, from the subordination of the Ministry of Justice to the Ministry of Information Development, the SRC has started to "facilitate" the procedure of the enterprises' establishment. Starting with 2002 there were attributed unique identification codes (IDNO), while in 2003 there was introduced the „Întreprinderi" information system, to which are connected all the territorial divisions of the SRC. The new law on the state registration of legal entities and individual entrepreneurs foresees a 5 days term for the companies' registration.	The number of registered enterprises has essentially grown: from 5776 in 2003 to 11480 in 2007 ¹⁴ . The number of days necessary for registration decreased from 30 in 2005 to 23 in 2007, while the number of procedures from 10 to 9 ¹⁵ . (The State Registration Chamber informs that the number of days for the registration of companies is 15. ¹⁶). Meanwhile, there were decreased the relative costs related to the registration of a new society.	Even if SRC reports that as a result of the implemented reforms there is no need for the physical presence of the entrepreneur at other structures (fiscal inspectorate, statistics office, national house of social insurance), in reality, the entrepreneurs should visit these structures. It is necessary to improve the information exchange between the SRC and the State Licensing Chamber, The National Bureau of Statistics and the Fiscal Inspectorate. The implementation of these actions will lead to the decrease of financial costs and time losses of the company's registration and to Moldova's advancement in the world ratings on business environments.
	Company law			
777	Converge with and ensure effective implementation of key principles on company law, accounting and auditing in relevant international and EU rules and standards.	There were adopted a series of laws that assure the convergence towards the EU rules and standards in the companies' rights framework – the law on limited liability companies, the law on accounting and the law on audit activity.	Currently, the impact is not perceived. The law on LTD has entered into force on the 17 th of November 2007, while the law on accounting and the law on audit on the 1 st of January 2008. The long term effects could be important. For example, the audit law foresees that the entities of public interest will have to perform on annual basis the audit of financial reports. In this category will enter the companies that have a special importance for	There are no major problems of systematic character. Still, a significant progress would be the integration of all the laws with fiscal character in the Fiscal Code.

¹⁴ According to the statistical data of the State Registration Chamber, http://www.mdi.gov.md/statistica_grp_md/.

¹⁵ According to the World Bank's "Doing Business 2008: Moldova", <http://www.doingbusiness.org/Documents/CountryProfiles/MDA.pdf>

¹⁶ See „Common rules for the registration of enterprises and organizations, http://www.mdi.gov.md/spravka_grp_1_md/

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			the public due to their activity sector, economic size and the number of employees and which overpass the limits of two of the following three criteria: total revenues – 120 millions MDL, the currency of the balance sheet – 60 millions MDL, average number of employees – 500 persons. The accounting law foresees that the financial reports will be presented semiannually and annually and not each trimester.	
⑩	Improve consistency and predictability in the administrative and judicial authorities responsible for oversight of company law and related investment conditions.	There were not undertaken any effective actions which would improve the consistency and the predictability of the judicial and administrative authorities (in a positive sense). The regulation reform is stopped. Some of the national legislation's aspects are not adequate for assuring the "consistency" and the "predictability" of the administrative authorities.	The share of judicial decisions on penal and civil causes has increased essentially, in parallel with the number of request from the Moldovan citizens to ECHR. The number of request to ECHR on economic causes also has increased (the "Oferta-Plus" case being the most popular, but not the single one). Some of the market regulation institutions have adopted decisions which can not be qualified as respecting the consistency and predictability principle. Many critics from the business sector were received by the National Agency for Competition Protection, which was created in February 2007, while from May it started to impose sanctions and penalties which are not adequately regulated by the legislation.	It is required to take measures as soon as possible for assuring the execution of the judicial decisions, first of all by the responsible state bodies. Also, it is necessary to clearly regulate the sizes of sanctions imposed by the market regulation agencies.
77	Ensure effective functioning of the public register of undertakings and the publication of certain information such as the	The law on state registration of legal entities and individual entrepreneurs stipulates that the State Registration Chamber has a state register of commercial entities which includes a series of data about these entities	The public access to the register is limited. The information with financial character (that does not represent private data or a commercial secret) is not provided. The provisions of the	It is required to assure the information exchange with the mentioned bodies, for reducing the necessity of the entrepreneur's physical presence in the process of registration and for including

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
	company's organization and financial details in the 'national official gazette'.	(inclusively data from the financial report presented to the NBS). The law foresees that the data from the state register and from the constitution acts are public and accessible for everyone in the conditions and limits foreseen in the legislation on the access to information, on state and commercial secret, on personal data protection, on registers and in the specialized international treaties that the Republic of Moldova has signed.	new law on the state registration of legal entities and individual entrepreneurs are not integrally implemented (it is not assured the exchange of information with the National Bureau of Statistics, The Licensing Chamber and the Fiscal Inspectorate).	in the state register of real and updated data about the companies.
777	Consolidate and ensure effective functioning of an administrative or judicial authority which ensures the control of the incorporation of a company or the legality of certain acts.	In 2007 there was created the National Commission on the Financial market, as an administrative authority that assures the control of the incorporation of joint-stock companies and other entities in the non-banking financial sector.	It is assured the effective control of the legitimacy of the creation, functioning and liquidation of joint stock companies. As an authority which supervises the capital market, insurances, micro-financing and leasing, the NCFM performs a similar role as the National Bank of Moldova.	It is required to create a more transparent information framework regarding the functioning of joint-stock companies.
77	Adopt and ensure effective implementation of a code on corporate governance (can be done by the private sector).	The corporate governance code was approved by the National Securities Commission ¹⁷ , as a result of some advices from foreign experts and the private sector from the Republic of Moldova.	The code was recommended for implementation in all the joint stock companies, but it does not have and can not have any judicial power. The implementation of the code will be gradual, together with the growth of the corporate sector from the Republic of Moldova, with the advancement of the business culture and of the corporate social responsibility.	The code of corporate governance should be promoted by the NCFM and interested NGOs, as a model which can be implemented individually by joint stock companies. The corporate social responsibility should be encouraged, inclusively in front of the small stockholders and there should be eliminated the negative governmental practices of "forcing" the business sector to be socially responsible.
	Services			
	<i>(32) Gradual abolition of restrictions to progressively allow the supply of services between the EU and Moldova in certain sectors, in line with WTO and PCA commitments in Title IV, Chapter III (Cross-border supply of services).</i>			
⑩	Perform a full review of national legislation by	There was not performed an integral revision of the legislation for identifying the barriers in	It is not known the level of fulfillment of the Republic of Moldova's	The purpose is to revise the legislation and introduce the legislative changes that

¹⁷ National Securities Commission decision nr. 28/6 from 01.06.2007.

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	Moldova so as to identify barriers to the provision of services with the aim of abolishing them.	the supply of services with the aim of abolishing them. There was not changed any regulatory act for the liberalization of services foreseen in the 3 rd Chapter of PCA (cross-border transport services).	commitments in front of EU in the context of WTO commitments.	would eliminate the barriers in providing transport services between the community countries and the Republic of Moldova.
⑩	Establish and ensure effective implementation of appropriate administrative structures including a central coordinating body with the aim of facilitating the supply of services.	There was not appointed a coordinating institution with the purpose of adequate administration of cross-border supply of transport services.	The impact of this action is null as there were not undertaken any measures mentioned in the action.	Appointing a coordinating body which would guarantee the conformity of supplied services between EU and the Republic of Moldova with the cross-border standards between the community countries and Moldova.
↗	Consolidate and ensure effective implementation of adequate legislation setting out basic principles such as non-discrimination and where necessary, introduce more detailed secondary legislation, or sector specific legislation.	For reporting the implementation of these actions, MET makes reference to the legal-regulatory framework adopted at the moment of adherence to WTO. During the period of the EURMAP implementation there was not performed an assessment of the primary, secondary and specific legislative base in order to identify and eliminate the discriminatory aspects.	The impact can not be evaluated.	It is required to perform a screening of the national legislative base for identifying and eliminating the discriminatory aspects in the cross-border supply of services.
	Financial services			
↗↗	Ensure implementation of recommendations of the IMF FSAP (Financial Sector Assessment Program).	The IMF recommendations in the basis of FSAP were partially implemented. Especially, there were taken measures to control the excess of liquidities through overnight credit offers. In the banking sector there were introduced internal control methods used for setting the market and country risks. There were adopted new laws and there were introduced modifications in the existent law on the activity of the capital market and of insurances. There was created the National Commission on the Financial Market as a unique control body of the capital market participants' activity. Still, many recommendations remain to be	In the banking sector there are undertaken new measures for controlling the risks. The new adopted laws on the character of activity of the capital market and on the procedure of shares registration still emphasize operational difficulties and carry a closed character of transactions. With regards to the insurances market, the size of the statutory capital through law modifications will determine some small companies to merge, thus consolidating the companies' activity in the insurances market.	The increase of the international transparency on corporate governance and the disclosure of information about the bank shareholders. The clear separation of the bank institutions activity from the insurances activities. Even if it is growing, the secondary capital market is underdeveloped. There are required legislative changes which would promote a more transparent character of transactions. It is required to simplify the contractual transactions among brokers and investors for encouraging the money flow in the country.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
		implemented.		
77	Enhancement of a prudential regulatory framework for financial markets and supervision equivalent to that existing in the EU.	NBM assures the correspondence with the Basel principles for the regulation of the bank sector, through banks' systematic supervision. The monitoring and the supervision of the exposure degree to the market risk are made in the basis of the new requirements for capital in the basis of the directive nr.2000/12/CE from the 20 th of March 2000. The training of the National Commission on the Financial Market, as a unique control body of the financial market (non-banking) participants, permitted to eliminate certain difficulties in the institutional framework.	The impact of this action is positive and is in the process of development. The NBM assures an adequate control of the banking system in the basis of EU recommendations. It is hard to appreciate the impact of the recently created National Commission on the Financial Market.	As a future priority remain the continuous revision of the regulatory framework of the NCFM's activity and the gradual introduction of necessary changes for the conformation with the EU system.
77	Set up and train supervisory authorities in the financial sector.	The NBM's personnel has participated in a series of seminars, conferences and other informational events organized by WB and IMF in collaboration with international specialized institutions. These events were on topics related with the banking supervision, prevention controls for money laundering, cross-border relationships in the Central and Eastern Europe.	The staff's implication in certain informational activities has increased the knowledge level of the international practice, which will make the supervision work in the financial sector more efficient. Meanwhile, these events have brought to the development of the collaboration network between the supervision institutions of the countries that have participated in the training.	The major priority is to train the NCFM's staff, this institution having large competences in the supervision of the financial market, insurances market and other non-banking participants. The training of the NCFM's staff is important for the integral development of the integral financial system.
77	Development of the insurance market.	The reform in the insurance framework has continued through the adoption of the Law on insurances ¹⁸ and the Law on the mandatory insurance of the civil responsibility for the damages produced by automobiles ¹⁹ .	The adoption of the legislative acts has permitted to create a framework which is in correspondence with the EU standards that regulate the activity of the professional participants on the insurances market	For the development of the insurances market and for the elimination of the systematic risks is necessary the imposition of banks by law to separate the banking resources from the resources used for the insurances market in their affiliated companies.
777	Put into place and ensure	Starting with 2005 the NBM has consolidated	NBM's and NCFM's competences are	NCFM should assess the implementation

¹⁸ The Republic of Moldova's Law nr. 407 – XVI from 21.12.2006.

¹⁹ The Republic of Moldova's Law nr. 414 – XVI from 22.12.2006

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	effective implementation of independent supervisory authorities in accordance with internationally recognized standards (e.g. G10, IAIS, IOSCO, IASB).	its capacities as a control body of the banks' activity. There was created the National Commission on the Financial Market, as an independent authority of the central public administration, responsible in front of the Parliament. The NCFM authorizes and regulates the activity of the participants to the non-banking financial market and meanwhile, supervises their conformation with the legislation.	clearly separated. In the basis of G10 principles, the National Bank controls the exposure of the banking sector to different types of risks and assures the stability and the security of the cross-border activities. The creation of the NCFM will assure the consolidated control of the professional participants' activity on the insurance market, Loan and savings associations, micro-financing organizations, mortgage credit organizations, credit history bureaus and the nongovernmental pension funds.	degree of the IAIS, IOSCO, IASB principles in the regulation policies of the local financial market.
2.4.3 Movement of capital and current payments				
<i>(33) Ensure full application of PCA commitments under Title V (Current Payments and capital)</i>				
77	Ensure the free movement of capital relating to direct investment made in companies and other investments made in accordance with the provisions on Establishment (Chapter II of Title IV).	In the Republic of Moldova, the circulation of the direct investments capital in companies and other investments is not limited. The law on investments in the entrepreneurship activity provides equal rights to local and foreign investors. The major exception is that the foreign investors can not purchase agricultural lots. But an alarming evolution represents the government's decision to create a work group which would monitor the flow of direct strategic foreign investments and of related transactions.	With the exception of the clause which interdicts to purchase agricultural lots, there are no major administrative barriers in front of the foreign investments. Still, the decision on the creation of the work group for monitoring foreign direct investments and its related transactions could be interpreted as a tentative to directly control the foreign direct investments and can affect the local and international reports on the Republic of Moldova investment environment.	There should be defined in the national legislation the notion of the "strategic investment", while in the government decision nr.873 from 03.08.2007 there should be specified the role of the work group for monitoring the investments in order to eliminate the suspicion on its control functions.
777	Ensure the protection of such foreign investments and the liquidation and repatriation of profits and capital.	In 2004 there was approved the law on investments in the entrepreneur activity, which assures an identical level for protecting local and foreign investments. In Moldova there are no restrictions for the investments amortization (besides the general ones that are set in the fiscal legislation) and the profit's repatriation.	Since 2004 it can be observed a constant growth of direct foreign investments, from 151 millions USD in 2004 to estimative 360 millions USD in 2007.	The major problems in the protection of foreign investments could rise from the lack of a real independence of the national justice system in report to the government.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
	2.4.4 Movement of persons, including movement of workers and co-ordination of social security			
	<i>(34) Full implementation of commitments under Article 23 of PCA (Labor conditions)</i>			
777	Ensure full application of the best endeavor clause by abolishing all discriminatory measures based on nationality which affect migrant workers, as regards working conditions, remuneration or dismissal.	There was elaborated a law project on labor migration, which has the purpose to regulate the process of immigration and emigration to work. There was approved the National program of actions in the migration and asylum framework ²⁰ . There was rectified the IOM Convention nr. 97 on the migration with the engagement purpose ²¹ . There were elaborated projects with France and the Russian Federation on the regulation of the migrating labor force flows and there were initiated negotiations on them.	Foreign and stateless citizens are not discriminated in the Republic of Moldova with reference to the work conditions, payment and dismissal.	The major challenge for the Government is to assure that the Moldovan citizens from abroad not to be discriminated from the point of view of work conditions, payment and dismissal.
7	Continue process of concluding Agreements with Member States on the full application of provisions on coordination of social security as contained in Article 24 of PCA.	Currently there was not signed any agreements. MSPFC has elaborated the agreement project – between the Republic of Moldova and "x" in the social security sector, which will represent the legal framework, as a bilateral agreement between the Republic of Moldova and any other state, in the basis of which there will be elaborated the corresponding bilateral agreements. At the moment, there were initiated negotiations of bilateral agreements with 7 countries: Portugal, Romania, Bulgaria, France, Italy, Greece and Spain.	The impact is null, as the majority of agreements are at the beginning of negotiations. This cause is also due to the lack of a clear structure and lack of the responsible body for the elaboration of the project for such an agreement (in conditions of a toilsome creation of the MSPFC at the beginning of 2007).	The incertitude of the negotiation agreements' settlement is due to the financial, professional and procedural difficulties of the Moldovan part, in relation to the capacity to adopt decision related to the coordination of the social security systems.
	2.4.5 Other key areas			
	Taxation			
	<i>(36) Development and implementation of a tax system and its institutions based on international and European standards</i>			
77	Ensure that national tax legislation is fully compatible with WTO norms, including provisions for the	In 2006 there were made modifications in the Fiscal Code for assuring the national treatment of the most favored nation according to the WTO principles.	It is difficult to evaluate the positive impact, as Moldova applies VAT and excise fee sat merchandise export, providing the traders the possibility to	The refund procedure is difficult and some of the economic agents give up using this facility. IT is necessary to reexamine the WATT and excise fees refund

²⁰ The Republic of Moldova's Government decision nr. 448 from 27.04.2006.

²¹ Ratification Law nr. 209-XVI from 29.07.2005.

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	determination of the place of supply of services in order to prevent double taxation, for fully non-discriminatory VAT and excise taxes, and for refund of VAT to non-established foreign taxable persons.	There was elaborated the project of a new regulations on VAT refund, which simplifies the refund procedure. In regards to the rules for determining the place for service delivery and VAT refund, there was studied the international legislation. The political measures in this framework will be included in the fiscal policy Objectives for 2009-2011.	refund them.	procedure in accordance with the WTO rules.
777	Develop and begin implementing a comprehensive Strategy for the Tax Administration, with particular attention to strengthening the tax collection and control systems.	In 2006 there was approved the State Fiscal service development Strategy for 2006-2010.	There were introduced performance indices ²² in the activity of the Fiscal service. The progress was registered only at the development of the human resources. Through a series of legislative and regulation changes, there were simplified the fiscal procedures. The creation of the Fiscal Cadastre was started. There was not registered a significant progress in the informational and technical development of the fiscal service, especially at the territorial level. Meanwhile, the fiscal amnesty in 2007 has shaken the efforts made for the consolidation of the fees control and collection system.	The introduction of performance indices is considered as being a priority for all the structural and territorial divisions of the MSTI. There should be elaborated the human resources training and management strategy. It is necessary the development of a series of on-line fiscal services. The web page of the fiscal service should be revised, as it is not comfortable for use.
⑩	As Moldova comes closer to the internal market, adoption of and compliance with the principles of the EU Code of Conduct for Business Taxation.	There was not adopted the Code of Conduct for Business Taxation.	The Code of Conduct for business taxation represents the political commitment of the member countries to eliminate the fiscal measures which are in disadvantage for other member countries and not to introduce new fiscal measures which are in their disadvantage. The "zero" taxation of the legal entities' profit from 2008	The adoption of the Code requires a research for revealing all the potential measures which are not in correspondence with the community ones. Until the implementation of this provision from the EURMAP, the Republic of Moldova should take certain commitments in this sense. It is remarked a minor interest from the

²² MSFI order nr. 90 from the 11th of May 2007 on the implementation of performance indices.

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			would be in contradiction with the Code of Conduct for Business Taxation.	private sector for participating in the elaboration of the Code of Conduct for Business Taxation.
777	Complete, where appropriate, the network of bilateral agreements between Moldova and EU Member States on avoidance of double taxation.	In 2005 entered into force or were signed bilateral agreements for avoiding the double taxation between Moldova and Austria, Greece, Czech Republic, Croatia, Serbia and Montenegro, United Kingdom of the Great Britain and Northern Ireland, Macedonia, Slovenia, Slovakia, Oman, Spain, Cyprus, Luxemburg, Malta, Ireland, France.	The agreements for avoiding the double imposition conduct to the formation of a more attractive investments environment for the investors from the respective countries.	The existence of these agreements does not seem to be a significant factor for investors. For attracting investments is required a general investments environment favorable for businesses.
Competition policy				
<i>(37) Implement commitments on State aid under Article 48/2.2 of the Partnership and Cooperation Agreement, by developing full transparency in the field of state aid.</i>				
Ⓢ	Establish a binding, uniform definition of State aid which is compatible with that of the EU (either by legislation or autonomous government act);	This action was not yet implemented. In September 2007 there was organized a seminar where this topic was discussed.	Because of the lack of a real progress, still exist actions of economical policy which wrest the honest competition between legal entities, by favoring the state and municipal enterprises.	It is required a public discussion and an urgent elaboration of a law project on state aid. The law should provide a clear definition for the state aid, which should be compatible with the free competition principles. The law should foresee all the situations when the state aid can be provided, identify all the institutions that can provide state aid and stipulate the principles for providing it. The law must provide the differences between state aid with economic effect on the free competition and the state aid provided with other purposes, and which does not have any immediate economic implications (social assistance, aid in case of natural and technological disasters, humanitarian aid etc.). The law should be discussed in public with all the interested parties.
Ⓢ	Establish full transparency as regards State aid granted in Moldova, in particular	This action was not yet implemented. In September 2007 there was organized a seminar where this topic was discussed.	The state aids are provided in minimal transparency conditions, the situations of conflict of interests are ignored, the	Adopting a government decision through which the state bodies and institutions are obliged to inform NAPC about all the

Evaluati on	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
	by (i) drawing up a complete list of aid grantors, (ii) creating a national mechanism for centralizing all information on state aid granted in Moldova, with a view to drawing up annual reports on the amounts, types and recipients of aid;		functions of elaborating the policies for state aid provision are not separated from the functions of implementing these policies. The best example in this sense is the agriculture subsidies system. The state aids are frequently offered in dependence of the political affiliation.	provided state aids. The information should be provided in a standardized format (size, type, beneficiaries and situations for providing aids). The operations for providing financial state aid should be made only through the treasury system.
	<i>(38) Implement, and build upon, commitments on anti-trust under Article 48.2.1. of the Partnership and Co-operation Agreement by ensuring adequacy and compatibility with the EU of the domestic anti-trust legislation and control regime.</i>			
7	Assess the effectiveness of the current legislative framework (competition law of 2000), including respect of the principles of non-discrimination, transparency and procedural fairness;	NAPC informs that there was made, with the help of an international expert, an evaluation of the legislative framework and that there was elaborated a law project on the modification and completion of some legislative acts for the harmonization of the national legal framework on the protection of competition with the community legislation. Meanwhile, this action was postponed because of the creation of this Agency was also delayed.	The impact is not perceivable.	It is necessary the publication of the law project on the internet site of the NAPC, in order to allow the interested parties to comment it. Taking into consideration the public importance of the regulated aspect – competition protection – it is necessary to organize public hearings for discussing the problems related to the activities of competition protection and anti-trust in the Republic of Moldova.
	Ensure enforcement of the competition law, in particular by:			
777	Establishing the National Agency for the Protection of Competition provided for in the law of 2000, as a politically independent institution,	The Agency was created in February 2007, according to the Parliament's Decision Nr. 21-XVI from 16.02.2007. The functioning regulation of the NAPC foresees that the Agency functions as a permanent authority in public administration and that its activity is independent from other bodies of the public administration.	The National Agency for the Protection of Competition started to work.	NAPC should prove its political independence through assuring a maximal degree of transparency in its activity, assuring public access to all the relevant information and entering in an open dialog on the most important aspects related to the competition protection.
7	Ensuring adequate legal powers for the competition agency, including decision making powers; the right of own initiative investigations, enforcement orders and effective sanctions (e.g. fines)	Law nr. 1103 din 30/06/2000 establishes for the NAPC all the mentioned authorities.	The Agency makes use of all the provided legal authorities. As the NAPC establishes the monopoly situations on the market, the size and the type of the penalty have generated protests from many companies and business unions. The	It is necessary to modify the law nr.1103 for setting univocally the criteria applied for establishing by NAPC the size of the penalty and the mechanism of payment.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
			current legislation does not foresee univocally the considered criteria when setting the penalties and the mechanisms of their application.	
7	Ensuring adequate human and financial resources, as well as training of staff in the competition administration.	The NAPC administration Council has approved the employment scheme of the Agency's staff, which foresees 41 units. According to the official data, there are employed 30 persons. There were reported several visits abroad and of foreign experts in Moldova, perceived as "training visits".	The impact of these activities can not be evaluated because of the lack of information and lack of cooperation from NAPC. The Agency did not want to inform the authors about the professional experience of its personnel in regards to competition management.	The personnel's training in competition administration is a very important issue, which can not be attained only during some documentation visits. It is necessary to provide a considerable financial support from the international donors for assuring the activity of a permanent international consultant under NAPC for assuring the basic training. Alternatively, there should be announced a tender for local economic studies institutions for elaborating and providing specialized training modules.
Intellectual and industrial property rights				
<i>(39) Ensure a level of protection similar to that in the EU, including effective means of enforcement, in line with provisions in Articles 49 & 50 of the PCA.</i>				
777	Apply international standards in this area, including in particular the TRIPS agreement.	The national legislation on intellectual property protection foresees that the international acts are part of the national regulation framework and that they prevail in case of non-correspondence with the national legislation. Besides that, there were elaborated new law projects on the protection of industrial property, in order to harmonize the national legislation with the communitarian one, i.e.: The law on the protection of industrial models and drawings (already entered into force), the law project on the protection of inventions, law project on the protection of trademarks, law project on the protection of geographical indications, origin names and national guaranteed specialties (first law), law project on the protection of plants types, law project on copyrights and other related	The law projects offer more protection to the rights holders.	Because of the complexity of these laws, there should be made an effort for the elaboration of the regulations for applying the mentioned laws. For the future, there should be elaborated the law project on the protection of the integrated circuits topographies.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
		rights. There was not elaborated a new law project on the protection of the integrated circuits topographies, as currently no integrated circuits topographies were registered in the Republic of Moldova. There was modified the tax regime through which is assured the conformity with the principle of national treatment foreseen in the Paris Convention and WTO Treaties. There was elaborated the National Strategy in the Innovations framework for 2008-2011 and the Action Plan for implementing the Strategy.		
77	Ensure proper functioning of the judicial system to guarantee access to justice for right-holders and availability and effective implementation of sanctions.	There was elaborated the database for the national legal instances' decisions on causes from the intellectual property framework. In 2006 there was reorganized the AGEPI (State Agency on Intellectual Property) Appeal Commission. This one will be reorganized into the Commission for Litigations in accordance with the new law projects which entered into the Parliament. The project of the Contravention Code contains provisions regarding the applied penalties for violating the exclusive rights on industrial property objects, violating the inventor's rights, violating the copyrights and related rights.	The number of contests of the AGEPI Appeal Court's decisions is small, indicating its effective work.	A major problem is the big number of pirate IT products, which in 2006 according to some unofficial data represented 91% of these products. In 2006 there was initiated the legalization campaign. At the current moment, there can be performed controls of the legal entities' offices. Up to the moment, there is no legal decision on sewing for violations in the software piracy framework.
77	Consolidation of the relevant institutional structures, as well as of the offices for industrial rights, copyrights protection and collective societies. Extend cooperation with third country authorities and industry associations.	Since 2004 the State Agency on Industrial Property has merged with the National Agency on Intellectual Property. There are kept relationships with the regional offices on industrial property. There were signed agreements with AGEPI, the Ministry of Internal Affairs, Customs Service and the National Agency for protection of competition for increasing the institutional capacities in the fight for falsification and piracy. There was signed the Cooperation	The reorganization in 2004 of AGEPI offered the possibility to use efficiently the resources. Currently, the customs service has registered about 100 IPO, which are protected at the border.	It is necessary to extend the cooperation with CCECC in combating the infractions related to the violation of the intellectual property rights. There should be extended the cooperation with the third state authorities and the industrial associations. There should be urged the process of creating the National Commission for Intellectual Property.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
		Agreement in the Industrial Property framework with the Brevet Office from Bulgaria in 2006. The national commission for intellectual property was not yet created.		
7	Increase resources dedicated to enforcement, in particular for the customs authorities and the judicial system and increase seizures and actions against counterfeit/pirated goods in specifically targeted sectors	There was not possible the tracking of the resources allocated explicitly for the enforcement of the customs authorities and the judicial system. There were introduced the required changes in the legislation for the protection of the intellectual property rights and for increasing the capacities of the responsible bodies in the fight against falsification and piracy. Business Software Alliance (the representative of the software producers in the republic of Moldova) has signed with AGEPI and MIA and Agreement for reducing the piracy in the IT sector, which foresees the identification, prevention and common fight against criminality in the computer software copyrights.	The number of annual contracts made by AGEPI has decreased. Also, there was reduced the number of protocols made for the withdrawn objects from 6976 in 2005 to 2779 in 2007. The piracy's consequences are estimated at 800 mln. USD – in the publishing industry, 5 billions USD - in the phonographic industry, 6 billions in the cinema industry, 12 billions in the software industry.	The majority of violation cases in the falsification and piracy framework are identified in the basis on the controls made by the public authorities and less on the basis of the information received from consumers and public organizations. The control institutions from this sector are not using control methods based on the evaluation of risks.
777	Improve enforcement of the relevant conventions provided for by PCA Article 49(2) Conduct a study on piracy and counterfeiting in Moldova and ensure effective dialogue with rights holders.	There were accepted amendments in the frameworks from which the Republic of Moldova takes part. There are organized with a certain regularity round tables for informing the public of the implementation of the Action Plan.	There were established the main problems in identifying falsification and piracy cases and the priorities in solving the situation in this framework. Major actions were not performed as the research has finished only in 2007.	The participation of rights holders in round tables on the implementation of the Action Plan is limited, proving the lack of their real interest in the improvement of the dialog.
	Public procurement			
	<i>(40) Develop conditions for open and competitive award of contracts between the parties, in particular through calls for tenders, in line with Article 54 of the PCA</i>			
7	Improve the functioning of the current system through increased transparency, information provision, training and the strictly limited use of exceptions.	Starting with January 2007 is published bi-weekly "The public procurement bulletin". But the web page of the Agency for Material Reserves, Public Procurement and Humanitarian Aid (AMRPPHA) does not work and is incomplete. In 2005-2007 there were performed a series of seminars for training	The impact is very modest. Particularly, AMROOHA informs that in the First Trimester 2007 the share of public acquisitions from a single source was under 10% in comparisons with 11,7% in the First Trimester 2006. The improvement of the current system of	The selection process of the winning companies still is not transparent. As some participants in public acquisitions are telling, the share of "set" tenders is too high, at them participate affiliated companies or companies that have agreed on the "winner".

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		employees from the regional council's directions in the public procurement framework. It is not clear what was made for the strict reduction of the exceptions in the public procurement framework, but the new law on public acquisitions ²³ does not reduce, but increases the number of exceptions in the public acquisitions framework, in many cases without a clear economical argumentation.	public procurement can not be realized without essentially reducing the corruption in this framework. The reduction to minimum of the "human factor's" influence is possible only through electronic acquisition systems, while the introduction of some pilot-projects is planned only for the Third Trimester 2008.	It is not clear why under the new law on public procurement do not fall the contracts for delivering research-development, works concession and public services. There should be revised or explained the necessity for keeping these exceptions. It is necessary to establish an institutionalized framework for the cooperation between the Agency for Material Reserves, Public Procurement and Humanitarian Aid and the National Agency for Protection of Competition for minimizing the share of noncompetitive arrangements in the public acquisition process.
7	Convergence with and effective implementation of key principles in the EU legislation on public procurement (e.g. transparency, non-discrimination, competition and access to legal recourse).	There was elaborated a new law on public procurement which entered into force on the 27 th of October 2007. The law stipulates that the transparency is a principle for regulation the relationships on public procurement. The new law makes a significant convergence towards the key-principles of EU in the public procurement framework. The formal acquisition procedures correspond to the EU policy on public acquisition.	The current impact is minimal. For the integral application of the law, there should be revised 8 regulations acts and elaborated another 13 new regulations acts. This process, which started in 2007, advances very slowly.	See the problems and the priorities from the previous action. Meanwhile, for analyzing the impact of the legislation's convergence towards the European norms, it is necessary the edification of a statistic system of public acquisitions.
	Statistics			
	<i>(41) Adoption of statistical methods fully compatible with European standards in relevant statistical areas and advance the institution building of the Department for Statistics and Sociology of the Republic of Moldova (DSSMR)</i>			
777	Ensure that the forthcoming population census is carried out according to schedule following recommendations of Eurostat/UN-ECE 2000 census;	The census as made in 2004. During its execution there was assured the preparation of the questionnaires, execution of the survey, automatic processing and presentation of the data. In March 2006	In the basis of the NBS report, the census stages were monitored by a group of experts of the Council of Europe, which guaranteed the application of international	

²³ The Republic of Moldova's Law nr. 96-XVI from the 13th of April 2007.

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		there was presented briefly the information on its results. In April 2006 the detailed data were presented on the official web page.	requirements. The consolidated system of data bases was transposed in statistical selections with the results of the census and was presented in Romanian, Russian and English.	
⑩	Elaborate a short and medium term development strategy for harmonization with European standards in the relevant statistical areas, including foreign trade statistics and statistical classifications;	The NBS has reported a series of actions performed for informing and evaluating the national statistic system, to systemize the process of data collection, while the strategy itself was not yet elaborated.	The lack of the progress in the process of harmonization with the EU standards in the statistical framework makes impossible to compare a series of indices. There is a lack of many necessary indices which are necessary for the analysis of the policies.	It is necessary to perform a screening of the national statistical system for determining the critical processes and frameworks with which should start the harmonization of the national procedures with the European ones. The standardization should cover the processes of presenting the primary statements.
⑪	Ensure that legislation on official statistics is based on the fundamental UNO principles;	Even if the law on statistics was modified in 2006, the changes did not have as an objective the implementation of the fundamental UNO statistical principles.	In the law on the official statistics were included eight national principles on statistics ²⁴ . Even if in general they are compatible with those 10 fundamental principles in the UNO statistics framework ²⁵ , there are observed significant differences between the national standards and the international ones. The last ones are clearer and more specific.	It is necessary the modification of the 5th articles from the law on the official statistics for the integral incorporation of the UNO statistical principles.
	Financial Control and related matters			
	(42) Sound management and control of public finances			
77	Promote the development of appropriate administrative capacity to prevent and fight effectively against fraud and other irregularities affecting national and international funds, including the establishment of well-	The major role in the implementation of this action falls on the Court of Accounts. For consolidating the administrative capacities, starting with 2002, CC has signed collaboration agreements with 5 relevant structures (Ministry of Internal Affairs, Center for Combating Economic Crimes and Corruption, Information and Security Service,	There was improved the elaboration procedure and the structure of the annual reports of the CC. The reports are presented in the Parliament. They contain a detailed analysis of the identified violations and their reasons, the undertaken measures for their liquidation and the recommendation	The Court of Accounts requires assistance from EU for training and implementing the best practices on the audit of incomes, expenses, patrimony and public responsibilities. The Parliament is not interested to discuss the results of the performed by the Court of Accounts controls, not even during

²⁴ The Republic of Moldova's Law nr. 412-XV from 09.12.2004.

²⁵ <http://unstats.un.org/unsd/methods/statorg/FP-English.htm>.

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	functioning co-operation structures involving all relevant national entities;	General Prosecutor's Office and the Customs Service). With the same purpose in 2006 CC has elaborated the Strategic Development Plan, while in 2007 – The strategy on the management and development of Human Resources and the Strategy on the Development of the Informational Automatic System (and the components of the Plan). The implementation of the Plan was made with the financial support of the World Bank and DIFD. In the framework of the control of international funds there were not observed any major actions.	of the Court of Accounts. In the basis of the report, the Parliament and the Government adopts decisions for liquidating the identified violations. The Government is obliged to inform the Parliament, during the next 6 months, about the liquidation of gaps discovered by the Court of Accounts.	the meetings of the specialized commissions.
⑩	Ensure effective cooperation with the relevant EU Institutions and bodies in the case of on-the-spot checks and inspections related to the management and control of EU funds.	Common controls and inspections of the Court of Accounts and EU authorities with reference to the management and control of the EU funds were not performed.	Because of the lack of common inspections and controls it is not known if the EU funds are used correctly and efficiently.	The Court of Accounts does not have the necessary legislative competences and capacities for auditing the EU funds. Meanwhile, the audit of the EU funds allocated to the Republic of Moldova will be possible only after the implementation of the new audit standards which would be compatible with the INTOSAI and EUROSAI standards.
77	Improve public finance management and transparency, through upgrading of the existing Treasury Accounts Systems, appropriate audit of budget revenue and expenditures, in line with suggestions World Bank's Public economic management review. Extension of the Treasury system by including in the state budget the social insurance budget, compulsory medical	There was improved and extended the treasury system. There were included in the national public budget the social insurance budget, compulsory medical insurance fund, special resources and extra-budgetary funds. There was elaborated the concept of the integrated informational system for the management of the public finance and there was announced a tender for the elaboration of the system. The audit of public expenses and revenues was not yet performed (by the Court of Accounts).	There was increased the discipline and the transparency of the budget execution system. The cash execution of the budget of social insurance and compulsory medical insurance funds is made through separate accounts by the treasury system. Not all the financial engagements are included in the treasury system. It is difficult to monitor the "historic" budgetary residuals. The tracking of the expenditures from the budget of state social insurance and the fund of medical insurance will be made on a	For maximizing the budgetary transparency, it is necessary that the public institutions offer in public their detailed budgets on an annual basis. There should be assured the integration of the state social insurances budget and of the compulsory medical insurance funds in the treasury system. All the financial obligations assumed by the central government, the local ones, and the obligations of the institutions which manage the social insurance and medical budgets should be reflected in the treasury system.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
	insurance funds, special resources, extra-budgetary funds. Creation and implementation of an integrated informational system for public finance management.		monthly basis (not on a daily basis, as in the case of the state budget and the local ones).	The Parliament and the Court of Accounts should supervise adequately the spending of the surplus resources cumulated in the budget.
	Public Internal Financial Control			
777	Development of a strategy and policy paper for the public internal financial control system (managerial accountability and internal audit).	There was elaborated and approved the Development Strategy on Public Internal Financial Control ²⁶ . Under the Financial Control and Revision Service of the Ministry of Finance, there was created the Central direction for the harmonization of the internal control system and internal audit.	The impact is reduced as the Strategy was adopted only in January 2008.	The major problem is to assure the financing of the Strategy, especially the actions for training the personnel. Meanwhile, the elaboration activities of the legislative, regulation and methodological framework could be more expensive as it is forecasted at the moment.
7	Establish legislative framework for public internal financial control.	The new public internal financial control system is at the transitional faze for the first implementation stage (the elaboration of the conceptual documents) and the Second stage (the elaboration of the legislative and regulation framework – standards and norms of the internal audit in the public sector, the elaboration of the law on public internal financial control, the modification of the law on budgetary system and the budgetary process).	The impact can not be perceived as there was not adopted or implemented any legislative act.	The major problem is to promote in the legislative framework the modern visions on the internal control system (as they are exposed in the Development Strategy on the public internal financial control): from a centralized to a decentralized control, from penalties to the prevention of violations, from ex-post controls to ex-ante controls, from occasional to systematic control. This change will be difficult to promote at the level of the public entities managers and at the level of the political elite.
⑩	Gradual harmonization with the internationally agreed standards (IFAC, IIA, INTOSAI) and methodologies, as well as with EU best practices for the control and audit of public	There were elaborated several audit standards by the Court of Accounts. It is revealed the lack of any progress in the harmonization of the accounting standards in the public system. In the public finances system are used several Plans of accounting	It is difficult to assure an efficient financial management at eth level of the entire public finance system without a unique plan of accounting accounts.	Assuring the implementation of a unique plan of accounts in the public system.

²⁶ The Republic of Moldova's Government Decision nr. 74 from 29.01.2008.

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	income, expenditure, assets and liabilities.	accounts.		
77	Ensure the establishment and adequate functioning of an independent Supreme Audit Institution in line with the internationally accepted and EU best practice external audit standards (INTOSAI standards – International Organization of Supreme Audit Institutions).	There was elaborated the Plan of Strategic Development of the Court of Accounts for April 2006-December 2010 and the Strategies for Developing the Informational Resources and the Informational System. There was performed an evaluation (preliminary) of the implementation of the Plan for 2007. There were identified financial resources and technical assistance for the implementation of the Plan (National Audit Office from Sweden, world Bank, DFID and Netherlands' Government). There were elaborated a series of new audit standards in accordance with the INTOSAI standards.	The anticipated result (the transformation of the Court of Accounts into a genuine Supreme Institution of Audit) was not yet attained, but the direction of the initiated reforms is correct and the speed is impressive. The report of the Court of Accounts on the method for managing the public financial resources from the budgetary exercise in 2006 has significantly improved. There were performed already 2 audits during which there were used elements of performance audit (the activity of the Fiscal Inspectorate and the activity of the Customs Service) and 3 audits with testing elements of the control systems.	Currently, the effective independence of the CC is limited by the fact that the Ministry of Finance approves the annual budget of CC, while the independence of the Court related to the self management of the budget is limited. The administration personnel of the Court of Accounts is chosen by the Parliament and reflects the conjunction and the political situation from the legislative body. The Parliament can order to the Court the execution of any controls. It is necessary to adopt a new law on the Court of Accounts, which would consolidate its political and administrative independence. (According to some information, the law project is in the process of elaboration). It is also necessary to perform an independent external audit of the Court of Accounts.
	Enterprise policy			
	<i>(43) Develop a dialogue on enterprise policy aiming at the improvement of the administrative and regulatory environment for companies, at promoting industrial cooperation and tackling the impact of industrial restructuring, and develop the Moldovan legislative and administrative framework for SME promotion - in line with articles 52, 69 and 70 of the PCA</i>			
7	Develop a legislative framework and appropriate infrastructure for SMEs, as provided for in Article 70(2) of the PCA	There was created the necessary policy and legislative framework for promoting SMEs (Strategy on the Strategy for supporting the development of small and medium enterprises for 2006-2008, Law on supporting the SME sector). There was elaborated the new Strategy on supporting SMEs for 2009-2013. A very important evolution represents the creation of the Organization for the development of the SME sector, as an independent and specialized institution. The	The political impact of the changes made in the political, institutional and legislative framework is currently minor, while the MSE sector remains in an underdeveloped stage. The SMEs' support fund does not provide any significant support, while its management is not publicly transparent. The SMEs' support specialists from the regional economic directions do not have the necessary	The major short term and medium term objectives that have to be followed by the new Organization for the development of the SME sector (as an organization which executes policies) in collaboration with the Direction for the development of small and medium business of the Economics and Trade Ministry would be: <ul style="list-style-type: none"> o Promoting development of the statistical system of SME.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
		definition criteria for SMEs were harmonized with the European standards. Formally, this SMEs development framework has approached Moldova to the EU standards in the industrial policy framework.	abilities, technical background and knowledge for assuring the transposing in practice of the Strategy's provisions. The public and private support infrastructure remains in the conceptual stage, with the exception of some urban areas (Chisinau and Balti).	<ul style="list-style-type: none"> o The development and the assurance of the payments system of subsidies for SME; o Assuring the training of the institutions through private and state institutions of the key personnel from SME (managers, accountants, engineers) in the key areas (financial management, human resources management, quality management). o Assuring the participation to the relevant European initiatives and recovering the member status of the European Charter for small enterprises.
⬇	Endorse and implement the European Charter for Small Enterprises and participate in the monitoring cycles from 2004 (includes participation in coordination meetings, writing an annual national report and organizing an annual bilateral meeting with the European Commission and Moldovan enterprise policy stakeholders).	Major failure! Moldova joined the European Charter for Small Enterprises in 2004, while currently it is no longer member of this Charter. The causes for quitting the Charter's activities are obscure, while the elimination of Moldova from the Charter's works is the responsibility of the European Commission.	It is not possible the integral participation in the European initiatives on the development of the SME sector. It is not possible the overtaking the advanced exchange of experience nor the information about the realization and challenges which face the country in this sector. Moldova does not participate in the annual Conferences on the Charter. There are not elaborated any annual reports on the situation in the SME sector.	For Moldova is very important the come back to the integral participation in the European Charter for Small and Enterprises works and the participation in the annual evaluations. The European Commission should be convinced about the utility of Moldova's participation at the Charter.
⬆	Preparation of companies for progressive opening of internal market elements to Moldovan participation, focusing on information and training. The opening of one Euro-Info-Correspondence Centre (EICC) is envisaged.	This action actually supposes the increase of the economic agents' capacities from Moldova to become more competitive in report to the European companies. With the support of the international donors, there were implemented a series of projects for the improvement of the competitiveness. In February 2006 there was opened the EuroInfoCenter under the Chamber of	The impact is moderate. In general, the Moldovan companies are not ready to face the competition on the European market. An insignificant number of companies from Moldova have introduced systems of quality management certificates. The National metrology, standardization, testing and certification of quality	It is required the intensification of the communication with the public interested in the competitive elements of the internal market of the EU countries. Meanwhile, the information on the activity of the projects for the improvement of the competitiveness should be provided to all the economic agents from the

Evaluati on	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
		Commerce and Industry from Moldova.	system is not yet reformed, being one of the most complicated aspects of the investments environment which undermines the national competitiveness. The impact of the EuroInfoCenter's activity under CCI can not be evaluated because of the lack of information. Meanwhile, the EIC's visibility in Moldova is very limited.	entire country. The European network of Euroinfocenters is currently in an essential reformation process. At the initiative of the European Commission, the Euroinfocenter from the entire European zone merge with the Innovation Relay Centers, creating the Enterprise Europe Network. For the EuroInfoCenter from Moldova is very important to have the adequate personnel support, the extension of activities and the integral involvement in the European Network of Enterprises.
7	In accordance with articles 52 and 69 of the PCA, promote dialogue on industrial policy and associate Moldova to EU initiatives to stimulate competitiveness, including in the tourism sector (e.g. exchange of information, participation in networks and studies, training).	According to the official reports, there were initiated official negotiations for the creation of the collaboration agreements in the industrial and related sectors with 12 EU countries. There were initiated negotiations for signing cooperation agreements in the tourism sector. There are created technical regulations in the harmonized frameworks in accordance with the European directives.	The impact of the reported actions is still moderate. As far as it is known, up to the current moment (the 11 th of February) there were signed only 2 industrial cooperation agreements (with Romania and Latvia) and one in the tourism sector (Slovenia). According to the Economics and Trade Ministry, the experience of the EU states was used for the elaboration of the law on industrial parks. Meanwhile, there should be emphasized that the essence of this action is the Moldova's participation in the European dialog and initiatives on competitiveness, in both sectors Moldova having an insignificant presence or not being present at all.	The most important initiative of the European Union for stimulating the competitiveness is the Competitiveness and Innovation Program. With certain conditions the participation of third countries is also possible. As the adherence and the participation carries certain costs, Moldova should decide which components of the CIP represent a priority for it (Entrepreneurship and Innovation Program, the Program for Supporting the Policies in the Informational Technologies and Communication framework and the Program of Intelligent Energy). The first step which Moldova has to do is to address, in correlation with the chosen program, a request to the relevant General Director (Enterprise and Industry General Director, Information Society General Director). The annual participation costs of Moldova to CIP would be relatively small. For the first year of participation is possible to obtain a discount and even co-financing of

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
				other European programs.
	2.6 Transport, energy, telecommunications, environment, and Research, development and innovation			
	Transport			
	<i>(57) Elaborate and start implementing a national transport strategy, including transport infrastructure development</i>			
77	Start to develop a national sustainable transport policy, with a focus, where appropriate on further approximation of legislative and regulatory frameworks with European and international standards, in particular for safety and security (all transport modes).	The long term documents of national policies which foresee the development of the transport are: EGPRS, NDP, government programs and the annual executive's programs, the National Program "The Moldovan Village" (2005-2015), The Program and the Scheme for the development and placement of the railway transport in the Republic of Moldova until 2010, Annual programs on the maintenance and reparation of the roads, the strategy of the Ground Transport Infrastructure, The Concept of the Naval Transport Development and the Strategy for the development of the civil aviation during 2007-2012. In some of these documents are identified the necessities to adjust the legislative and regulatory framework to the European standards.	The impact of the adopted documents is pending, because the majority of the documents do not have the required financial coverage. For Example: the implementation of EGPRS for 2004-2006 will have a 35% financial coverage, because of the financing through (inexistent) grants, whose share attains almost 80% of the expected volumes.	The approval of investments in governmental programs does not take into consideration their technical and economic argumentation, thus there is no assurance of the investments' efficiency. Thus, the basic scenario of the Strategy for Ground Transport Infrastructure foresees the finalization of the rehabilitation process of the railway and ground infrastructure during 10 years. As it is indicated, this one requires a substantial financing for every year, while it is not definite that the set objectives can be attained.
7	Develop an infrastructure policy (identifying capacity constraints, lack of intermodal equipment and missing link infrastructure) in order to identify the priority infrastructure projects in various sectors.	A definite infrastructure policy does not exist. Currently, there was set a series of projects which are considered as a priority: Recovering the railway line Revaca-Cainari; Electrification of the railway line Chişinău-Iaşi and the construction of a railway line with a European gauge. Rehabilitation and modernization of the railway and ground routes of the Moldovan railway line of the IX pan-European Corridor; The oil terminal and the merchandise port from Giurgiuleşti; The construction of the railway line Cahul – Giurgiuleşti;	Only several projects which were considered as a priority were implemented (the railway Revaca-Căinari, the construction of the oil terminal, Leuşeni – Chişinău road, has started the construction of the railway road Cahul-Giurgiuleşti). The lack of an infrastructure policy complicates the assurance of the projects' competitiveness and the coordination of the international legal aspects and their exploitation.	The major problem is related to the financing of the investments projects identified as a priority, taking into consideration the fact that the projects are really "a priority". The respective decisions are taken in minimal transparency conditions, many times without a necessary technical, economic and ecologic expertise. Transparency in the financial execution of the projects was also minimal and was not performed the technical audit of the performed works (preliminary and process audit).

Evaluati on	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
		Recovering the M3 road Chişinău – Giurgiuleşti; The improvement of the circulation on the public roads from Ialoveni, Hînceşti, Bălţi, Teleneşti and Sîngerei; The construction of the access roads and of the crossing points at the border Lipcani-Rădăuţi (România); Reconstruction of the national road M1 Chişinău – Leuşeni The coordinated development of the Belt Route of the Black Sea.		
7	Creation of a long-term and transparent system of road financing in order to ensure continued maintenance of the existent public road network.	Such a system was not yet created, but its elements are reflected in the Strategy of Ground Transport Infrastructure.	The impact is minimal as there was passed to the practical implementation of the system. Still, the evaluation performed in the Strategy identifies the main lacks of the current financing system and the necessary elements for modernization.	Apparently, there is a certain bureaucratic opposition in front of the reform of the financing system of roads, in particularly, for the administration of the management of the fund by the Ministry of Transports and Roads Industry under the supervision of a Fund's Council from which will take part also the users' representatives. Also it is not excluded the fact that it will be very difficult to make the transition to the system of roads maintenance through auctioned contracts.
77	Address issues of infrastructure financing (e.g. Public/Private Partnerships, tolls, shadow-tolling, user charges etc.) Possibly, EIB mandate extension.	The financing of roads' maintenance is insufficient: only 64,42 mln. MDL from the state budget for 2005, 108,03 mln. MDL for 2006 and 111,03 mln. MDL for 2007. The public-private collaboration is just starting. There were not diversified the financial instruments for financing the infrastructure. In 2007 there were signed loan agreements with EBRD and EIB for the project of Roads Rehabilitation which foresees the allocation of 30 mln. Euro, inclusively the first payment of 12,5 millions Euro and 17,5 millions Euro for the second payment.	Despite the signing the agreement with EBRD and EIB, the impact is insignificant, as there was not set an adequate financing mechanism for the maintenance and reparation of roads. The currently available resources do not cover the necessary amounts for the financing the Strategy of Ground Transport Infrastructure, whose cost is estimated at 3,2 billions USD for 10 years.	It is required the reform of the Ground Transport Fund (see above) for assuring a predictable volume of internal resources for financing the works of current maintenance of roads. There will be necessary the attraction of additional investments from EU for the financing of the reconstruction of roads, with the condition of technical and financial monitor of works by the EU specialists and the execution of the performance audit by the Court of Accounts or by the independent

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
				auditors.
7	Continue active participation in the development of the Pan-European Corridors and Areas as well as in the TRACECA program. Possibly, extension of EIB lending.	In 2006-2007, the Republic of Moldova has participated in the Work Group at a high level under the aegis of the European Commission of EU on the extension of the big trans-European transport axes to the neighboring with EU countries and regions. As a result there was coordinated the connection of the RM's transportation network with the south-eastern axe in the Black Sea zone. The results of the cooperation through TRACECA are revealed through different common programs, oriented to the support of commerce and institutional support, the improvement of the national expeditors abilities obtained during the Training of merchandise expeditors, the analysis of the merchandise flow in the TRACECA countries and the interregional dialog between the EU and CIS countries, training the air transport receptionists in the countries from the Southern segment.	The impact is moderate, Moldova's integration in the European transport routes being minimal.	It is necessary the identification "of the critical points" for a progressive assurance of the technical and logistic interoperability of the Moldovan and European railway system, while the major accent is going to be put on the integration through the ground, naval and air transport. Renouncing to the current gauge is not rational, as there will be lost the interoperability with the Ukrainian railway system.
(58) Implement selected measures and reforms in the road transport sector				
7	Adoption of transparent regulatory processes regarding the award of licenses and introduction of mandatory driving times and rest periods complying with international standards.	Through the law nr. 246-XVI from 21.10.2005 there was rectified the INTERBUS Agreement (international occasional passengers transport by bus), while in 2007 there was adopted the Regulation on its implementation ²⁷ . There was elaborated a government decision project on the work and rest regime of the passengers transport equipment. The Republic of Moldova joined the European Agreement on big European	The impact of these actions is reduces at the moment. The process of licenses issuance and the work and rest regime of the equipments are not in correspondence with the international standards.	It is not clear to whom will be attributed the functions of the S.E. „Agenția Moldovei Trafic Auto Internațional”, which was dissolved in February 2008. Also it is not clear when there will be established by the MTRI the testing requirements for the transport units in strict correspondence with the INTER-BUS Agreement and the current legislation. There should be clearly set the minimal

²⁷ The Republic of Moldova's Government Decision nr. 456 from 24.04.2007.

Evaluati on	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
		Roads "E-AGR" and other international agreements ²⁸ .		and maximal terms for issuing the INTERBUS communication card.
777	Develop a road safety action plan (including dangerous goods transport and roadworthiness) for improving road safety.	The Ministry of Transport and Road Industry have elaborated the Plan on the security of the ground circulation, provided to the EU experts at the Reunion of the IVth Subcommittee of the European Commission. There was adopted the Action Plan for reforming the situation in the ground circulation framework until 2009 ²⁹ , through which was created the National Council for the Ground Circulation Security.	The impact is minimal. The statistical indices prove a growing trend of the circulation accidents' incidence and victims: The number of ground circulation accidents: 2289 – in 2005, 2298 – 2006 and 2437 – 2007; The number of damaged persons: 2770 – 2005, 2807 – 2006 and 2984 – 2007; The number of dead persons: 391 – 2005, 382 – 2006 and 464 – 2007.	A major problem is the financial coverage of the actions stipulated in the plan on the security of the ground circulation. Another problem is the "identity conflict" between the participants in the ground transportation, on one hand and the regulation bodies, on the other hand (especially the road police), from which derives the lack of the desire to collaborate. The culture of the road security is absent in the Moldovan society.
(59) Implement selected measures and reforms in the railway transport sector				
77	Improve the average running time of freight trains on selected corridors by an in-depth corridor analysis, identifying bottlenecks and proposing solutions.	For connecting the country to the pan-European IX highway CE-95 and E-560, while in the general plan of development of the trans-European railways for 2005-2020, there were included 2 relevant projects of Moldova: recovering the Revaca-Cainari railway line with a length of 45 km (in exploitation since 01.10.2005) and of the Moldovan railway line of the pan-European IX Corridor. In 2001-2006 Moldova Railways has elaborated the Rehabilitation Plan of the railway (685.2 km of railway lines, whose cost would be 291 million MDL). In the Strategy for the Ground Transport Infrastructure, the plan for the rehabilitation of the railway infrastructure will last 3 years and will include the rehabilitation of 350 km with the cost of 785 millions MDL. There was started the construction of the railway line Cahul-	The recovery of the railway line Revaca-Căinari has contributed to the increase of the speed and security of the railway transport, reducing twice the time thanks to the shortening of the distance on the national network and to the lack of stoppages created by the self-proclaimed NMR. Meanwhile, the speed in the country had grown only by 6,6%, overcoming the level of 49 km/h. The major share of the railway infrastructure does not permit to attain the projected speed, even for the merchandise trains.	The quality of the performed work may be a problem, taking in to consideration the lack of financial transparency. It is necessary to speed up the process of restructuring the Moldovan Railway.

²⁸ The Republic of Moldova's law nr.17-VI from 10.02.2006.

²⁹ The Republic of Moldova's Government Decision nr. 1039 from 06.09.2006.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
		Giurgiulesti (with the value of 800 millions MDL) ³⁰ .		
777	Improve safety, speed and efficiency (interoperability) of rail transport services.	With external technical assistance ³¹ has started the implementation of 2 railway projects: "The implementation of the Suw Technology for automatic passing from the 1520 mm gauge to the European one of 1435 mm at the Moldo-Romanian border (Ungheni station) and "The improvement of the railway staff for the implementation of the advanced restructuring of the Moldovan Railways". In 2006 there was signed the Inter-ministry Agreement on the construction of a modern railway network on the South-eastern Europe, south-eastern axe nr.13, being identified as a priority for the Republic for Moldova's territory. In 2006, in the framework of external technical assistance, there was elaborated and forwarded for financing the project "The realization of the research and project works on the electrification of the railway line Bender – Chişinău – Ungheni".	The impact is minor as the mentioned projects were not fully finalized, while others have not yet started.	The introduction of the new technologies and the improvement of the technical estate of the railways infrastructure is the major priority for assuring the fulfillment of the security, speed and efficiency objectives. The materialization of the Ministry's Agreement is possible only on a long term and requires substantial investments from exterior for the modernization of the railways. Because of the delay of the construction of the railway with European gauge Ungheni-Chişinău, the integration in the European railway system remains very poor.
	(60) Implement selected measures and reforms in the aviation sector			
777	Pursuit of a national aviation policy for the development of the sector (including a vision on the reform of the market structure).	There was approved the Civil Aviation Development Strategy for 2007-2012 ³² . The strategy foresees the improvement of the state regulation system in the civil aviation framework; the development of the air transports market; updating the ground infrastructure; maintaining the compatibility of the air navigation system with the international standards; the updating of the	Because the strategy was approved at the end of 2007, the impact is major only under the legal aspect. The reformation of the market structure is confronted with a strong opposition which has its origin in the interior of the sector. In general, this sector did not become more competitive taking into consideration the plan of offers made	The difficulties are related to the implementation of those 48 actions from the Strategy's plan, in conditions when none of the actions from this plan is financially covered. This implies informational, logistic and financial external support and qualified personnel. Meanwhile, it is necessary a real openness

³⁰ The Republic of Moldova's Government Decision nr.581 from 24.05.2007.

³¹ The Republic of Moldova's Government Decision nr. 302 from 21.03.2005 on the National Program of technical assistance for 2005-2006.

³² The Republic of Moldova's Government Decision nr. 987 from 30.08.2007.

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		airplanes' park; continuity of the relationships with the specialized international bodies; improving the training system and the re-qualification of the staff; the improvement of the regulation and legal basis the civil aviation framework and the development of the light aviation.	to the clients.	of services for the external deliverers of services for maximizing the consumers' utility. It is required the attraction of foreign and local private investments in the development of the infrastructure from airports and regional air areas (Cahul, Bălți, Mărculești).
777	Revision of bilateral service agreements with Member states with a view to include Community standard clauses.	In December 2006 Moldova has rectified the horizontal Agreement with the European Community (signed in Luxemburg on 11.04.2006) on some aspects of the air services, whose temporary application by EU started at 01.03.2007, following that its coverage area will be enlarged when the dialog between the SACA and the European Commission will start on signing the modification Protocol due to the EU extension.	The document establishes a new the legal framework for nominating the EU air companies in the basis of the bilateral agreements closed between the Republic of Moldova and the member-states of EU.	As in the case of other regulation agencies, a serious problem is the lack of the real political independence of SACA and its small capacity to regulate the market in a disinterested manner and by respecting the interests of all the market participants. It is necessary to evaluate the opportunity and the possibility of the Republic of Moldova's adherence to the extended multilateral Agreement of EU on the creation of a common air zone.
⑩	Solution of pending issues with Member States regarding the implementation of bilateral agreements.	The anterior disputes with Unistar Ventures, German company, on the investments in the Air Moldova International (AMI) company were not amiably solved. Currently, the file of this dispute is at the European Court for Human Rights.	There is a real danger that ECHR will adopt a favorable decision for Unistar Ventures and the Moldovan Government will have to reimburse the firm all the investments made in AMI, plus some big moral compensation.	For the future, a major priority is the mutual solution of all the bilateral disputes and the adherence to the multilateral extended agreement of EU on the creation of a common air zone.
77	Enhance administrative and technical capacity to become full JAA member. Explore possibilities to participate in EASA and for involvement in the Single European Sky.	There were intensified the technical and administrative capacities. The problems which were identified by the European experts were solved. On 06.04.2007 the audit group of Joint Air Authorities (JAA) has checked and has concluded as positive the correspondence level of the air legislation in the certification framework, navigability and flight operations to the European air standards and norms.	Starting with 01.01.2008 the Republic of Moldova has obtained the status of a member-country with full rights of the JAA. The participation in EASA („European Aviation Safety Agency”) was not materialized at the moment. Meanwhile, it is not excluded that in the near future JAA will have a less visible activity, EASA obtaining competences and superior authority.	In strategic terms, for Moldova is important the gradual integration in the EASA works and the integral implementation of the EASA standards in this framework.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
7	Co-operate on aviation security matters (common rules to combat international terrorism).	An actual cooperation with the EU is not observed. There was approved the Law on the air security (which came into force on 22.06.2007). In 2006 the International Civil Aviation Organization has performed the audit of the Chisinau International Airport; based on its results there was elaborated and is realized an action plan for solving the difficulties. Meanwhile, there was evaluated the security system of the S.E."Aeroportul Internațional Chișinău" for elaborating the project on the Security Plan.	There was not yet established a framework for the cooperation and implementation of the European standards on air security. All the major actions were executed without the support and cooperation from the EU.	It is required the intensification of the activities and the extension of the Republic of Moldova's presence at the European Conference on Civil Aviation and the creation of a work plan with EASA for performing the audit in the air security framework.
(61) Implement selected measures and reforms in the maritime and inland waterway sectors				
7	Implement relevant international maritime conventions (including IMO).	Moldova has adhered to 11 IMO Conventions ³³ , 4 ILO Conventions ³⁴ and 2 UNO Conventions ³⁵ . There were acknowledged several classification societies (members of the International Association of Classification Societies) and a series of organizations empowered to perform the supervision of the ships under the state pavilion of the Republic of Moldova in regards to the correspondence	The impact is minor, as the MTRI did not execute all the required measures for the implementation of the mentioned conventions' provisions.	Difficult to identify.

³³ International convention on tonnage measurement of ships from 1969 (TONNAGE 1969), International Convention for the safety of life at sea from 1974 (SOLAS-74) and its Protocol from 1988; International Convention on Civil Liability for Oil Pollution Damage from 1992 (CLC 1992); Convention on the International Regulations for Preventing Collisions at Sea from 1972 (COLREG 1972); International Convention for the Prevention of Pollution From Ships from 1973 and its Protocol from 1978 (MARPOL 73/78); International Convention on Load Lines from 1966 (LL 1966) and its Protocol from 1988; International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW 1978) and the Code on Training, Certification and Watchkeeping for Seafarers (STCW Code) from 1995.

³⁴ nr.92 on stocking equipments on the board of the ship (revised), 1949; nr.133 on stocking equipments on the board of the ship (additional dispositions), 1970; nr. 185 (revised) on the identity documents of the sea-going personnel; nr.152 on the security technique and the work hygiene during dock works.

³⁵ United Nations Convention on the Law of the sea, 10.12.1982, Montego Bay (Jamaica) and the Agreement on the application of the 9th part of the United Nations Convention on the Law of the sea, 28.07.1994.

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		to the provisions of the International Conventions ³⁶ .		
777	Pursue effective enforcement in the areas of Port State Control and Flag State Control implementation as well as resolutions of the IMO's Maritime Environment Protection Committee on Tanker Safety.	The creation of some public institutions „Căpitănia portului Giurgiulești”, which executes the supervision and control functions from the “state-port” and “state-pavilion” and the State Enterprise „Registrul Naval”, which exercises the supervision functions of the technical estate of the fluvial ships ³⁷ . There were checked 2 oil tankers which entered in the Giurgiulesti port.	The adherence to the international conventions and the creation of the national bodies will permit the increase of the navigation security level under the pavilion of the Republic of Moldova.	It is required the training and the delegation of some clear authorities to the personnel responsible for the security of the safe exploitation of ships and of the port facilities at the transportation of the dangerous merchandise with the naval transport.
77	Pursuit of a national inland waterway transport policy for the development of the sector (including a vision on the upgrading of the national fleet) and the establishment of effective administrative capacity.	There was elaborated the project of the Concept for the development of the intern naval transport and the project of the internal customs transport Code. Through the order of the MTRI there were approved the functioning regulations of the relevant administrative institutions (naval inspectorate, naval register, the captaincy of the Giurgiulesti port) . There were signed agreements on the navigation on the internal navigation ways with Ukraine and Romania.	The impact is minor, as the Concept for the development of the internal naval transport was not approved, nor the Internal naval transport Code.	The Development Concept and the Code of internal naval transport should be forwarded for an expertise of the Central Commission's Secretariat for the navigation on the river Rhine (mandatory of the European Commission for monitoring the transport on the internal EU naval ways.
77	Co-operate with the EU with a view to aligning maritime safety policies based on measures agreed with the framework of the relevant	The cooperation with EU is not visible. Still, after signing the Action Plan, the Republic of Moldova has joined 11 conventions of the International Maritime Organization, which have direct implications in the maritime	The impact is minor, as the Ministry of Transport and Roads Industry did not elaborate the methodology for the application and control of the convention's provisions by ships and	It is required the fast definition of the necessary regulation framework (methodologies and instructions) for the application of the rectified conventions. The intensification of the Republic of

³⁶ The Republic of Moldova's Government Decision nr. 1608 from 30.12. 2003

³⁷ The Republic of Moldova's Government Decision nr. 1128 from 29.09.2006.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
	International Organizations.	security and to 3 conventions of the International Labor Organization, which have direct implication over the security of the maritime and port personnel. There was elaborated and approved the Public Institution „Căpitănia Portului Giurgiulești” the Security Plan of the International Free Port Giurgiulesti. At the reunion of the Council of Ministers of Foreign Affairs the state members of BSECO (19.04.2007, Belgrade) have signed the memorandum on the development of the Maritime Transport Network in the BSECO region.	ship owners. The Giurgiulesti port does not function yet. The implementation of the agreement Memorandum has not started yet.	Moldova's participation in the Danube's Commission for assuring the implementation of the necessary experience for monitoring the market and for imposing the port and ships security standards.
	Energy			
	<i>(62) Preparation of an updated energy policy converging towards EU energy policy objectives.</i>			
77	Prepare an updated energy policy document with an indication of financing sources and a timetable for implementation.	In August 2007 there was approved the Energetic Strategy of the Republic of Moldova for 2007-2020. The text of the strategy was coordinated with the European experts. The strategy includes also a plan of actions. Still, the implementation terms are much extended and not all the actions have a full financial coverage.	At the moment it is too early to appreciate the impact.	Starting with 1997 it is the third energetic strategy for the Republic of Moldova. The objectives of the first strategies merely were attained, the implementation process was not evaluated, that is why there were not revealed the reasons why the implementation of the previous strategies has failed. Meanwhile, the new strategy offers new viable solutions for the decrease of the dependence on the important natural gases, while the adherence to UCTE depends a lot on the Ukraine's progress in this sector. Meanwhile, it is not clear how there will be avoided the deficiencies in the process of monitoring the implementation of the strategy in the future; there should not be forgotten that among those responsible for the monitoring process is the Ministry of Industry and Infrastructure, which was recently dissolved.

Evaluati on	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
77	Strengthen capacities for monitoring and forecasting energy developments.	According to the Energetic Law this responsibility is on NERA, MII and the Academy of Science. Still, the main body which is dealing with this problem is NERA, this organization having a separate department which works on this problem. NERA workers regularly participate in the respective trainings together with the other state's agencies.	The practical impact of the legal provisions and the training activities can not be perceived.	NERA requires a Council of Experts which would assure the monitoring and the forecast of the evolutions on the global, regional and national energetic market.
(63) Gradual convergence towards the principles of the EU internal electricity and gas markets.				
77	Establish - on the basis of Moldova's experience in the Regional Energy Market in South East Europe initiative ("Athens Memorandum") - a list of measures for gradual convergence towards the principles of the EU internal electricity and gas markets, accompanied by time schedules and a financing plan. Reciprocity issues to be addressed appropriately (market opening, environmental norms).	This list of measures was elaborated and included as an attachment to the new Energetic Strategy. But several measures from this annex do not contain the concrete terms for implementation and the financial coverage for the implementation process is not assured.	The majority of measures are referred to the period after 2009, thus at the moment the impact is zero.	Finding the necessary resources for the implementation of measures will represent the major problem for the responsible authorities.
77	Energy price developments and tariff reforms towards the elimination of distortions; improvement of bill collection rates.	The electric energy and natural gas suppliers have enforced the penalty instruments for the bad-mannered payers. Apparently, this resulted in a better collection of bills. In August 2007 NERA has approved a new methodology for calculating the electric energy tariffs. The tariffs for the thermal energy remain subsidized.	The bill collection rate has increased from 97% in 2004, to 99,4% in 2007, for natural gases from 88% in 2004 to 92,2% in 2007.	The natural gas imports remain totally dependent on the supplies made by Gazprom. In these conditions, it can not be talked about the liberalization of the gas market. The gas is delivered to consumers on a complicated scheme of intermediaries, which is reflected in the tariffs paid by consumers.
7	Further develop the National Energy Regulatory Agency towards an independent body.	Finally, there was named a General Director of NERA. The Government monitors the activity of NERA, which does not correspond with the normal logic, as the Government does not have the necessary instruments for	With the appointment of the general director there was unblocked the revision and readjustment process of the bill policy. Meanwhile, the lack of the Agency's independence does not	In the legislative framework there should be specified in a clearly manner by whom, how and in what situations NERA's director can be fired; NERA's budget should be approved during

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		influencing this agency (appoints and fires the directors, the Ministry of Finance approves the budget and the Ministry of Justice comments the decisions).	permit it to meet all the interests of the market's participants and to regulate the market neutrally.	some transparent negotiations between NERA, the Ministry of Finance and with the implication of deputies from the specialized commission; NERA's decisions should be commented by the Ministry of Justice only from the point of view of their legal and technical correctness and published in the Official Monitor immediately.
7	Further restructure the electricity, gas and heat sectors and address payment arrears.	Some progress is observed in the context of implementing the Energetic project II, which foresees the creation of an online evidence system of the electric energy – a step towards the liberalization of the electric energy market from Moldova. The "Termocom" company has undertaken a series of measures for decreasing the losses in the supply networks of thermal energy, but this is far from the restructuring process. There was not registered any progress in the privatization process of the energetic sector. On the opposite, according to the law on destatization and administration of the state's property, the enterprises from the energetic sector can not be privatized.	As a result of the lack of liberalization of the energetic market, the consumers' rights were violated. Despite the undertaken measures, the Termocom company remains a problematic enterprise, with huge debts of 1,8 billion MDL. The stop of the privatization process in the energetic sector blocks the attraction of the private capital in this sector and will bring to the definitive degradation of some enterprises.	The Government does not have the political desire for solving the Termocom's problem and uses the enterprise for following the personal economic and political interests. It is necessary to perform a research of the impact of stopping the privatization process in the energetic process. The Termocom and Moldovagaz companies should be applied to some independent external audits.
7	Participation in EU related energy events.	On the 29 th of June 2007 during the Ministerial reunion of the Energetic Community Treaty (ECT) there was taken the decision to provide the member status with full rights to the observatory-countries, among which is also Moldova. Besides the cooperation in the ECT, the Republic of Moldova also participates in INOGATE and GUAM meetings etc. The Republic of Moldova together with Ukraine negotiates the entrance in UCTE, but taking into consideration the technical aspects, this depends a lot on the progress registered by	The practical impact of the Republic of Moldova's participation in ECT is insignificant.	The adherence to UCTE depends a lot on Ukraine. Finding some alternative sources for gas supply is not a realistic possibility at the current moment.

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		Ukraine. Eventually, the adherence will be possible by the end of 2008.		
	(64) Progress regarding energy networks.			
777	Substantial reduction of network losses (electricity, heat notably).	In regards to the reduction of the network losses (electricity) there were implemented a series of technical measures: The optimization of the alimentation schemes by changing the transformer with the corresponding capacity; Changing the branch line with isolated cable and the installation of reverse counters at the exterior of the residential spaces; The reconstruction of the distribution networks of 0,4 kV with isolated cable. Regarding the thermal energy, the progress carries a "local" characteristic.	The network losses (of electricity) in 2002-2006 have decreased on average twice in all the REDs (electricity distribution network).	The modernization and the restructuring of the thermal-energetic sector remains a problem which is permanently left for future.
	(65) Improve transparency, reliability and safety of the gas transit network.			
77	Further rehabilitate and upgrade the network.	An important evolution is the construction of the gas conduct Tocuz-Căinare-Mereni, which offers the possibility to supply gas to Chisinau (especially, it is necessary that all the CETs (thermal-electric power plants) work on permanent basis, a single connection causing problems during the cold period of the year).	The impact on the transit capacity is hard to be evaluated, but it is apparently small.	The construction of the gas conduct Balti-Ungheni. This may assure the connection with the gas deposit from Mărgineni (close to the city of Iași, România)
①	Identify and start to implement reform options for the gas (transit) network.	It is attested the lack of a significant progress.	For the moment there is no impact. The reformation of the network may contribute to the increase of the natural gas transit and to the increase of the incomes coming from this activity.	It is necessary to reorganize the JS MoldovaGaz, assuring its transparent functionality and the elimination of intermediaries from the supply network.
77	Install additional gas metering devices on pipelines at border crossings points.	It is performed the cooperation with the Ukrainian part. The evidence of the consumed and transited volumes is performed at the points from Alexeevca, Grebennichi, Orlovca, Ananiev (Ukraine, with the presence of the JS "Moldovagaz"	Permit a better monitor of the gas which enters the territory of Moldova for transit and for consumption.	It is necessary to install additional devices for monitoring the volumes which cross the border with Romania.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
		representative) and Tocuz (Moldova, with the presence of the Ukraine's representative).		
	<i>(66) Progress on energy efficiency and the use of renewable energy sources.</i>			
⑩	Prepare an Action Plan for improving energy efficiency and enhancing the use of renewable energy sources, reinforcing the relevant institutions, accompanied by a financing plan, quantitative targets and timetables for implementation.	There were adopted the National Program for using the renewable energy resources (2006-2010), the Law on renewable energy (21.07.07) and ultimately the Country's energetic Strategy (2007-2020). The Action Plan foresees the elaboration of a new National Program by the Academy of Sciences of the Republic of Moldova, the Ministry of Industry and Infrastructure (dissolved) and the National Agency for Energy Conservation.	In the energetic framework, the energetic policies are adopted according to the "matriosca" principle (The strategy foresees the elaboration of some action plans which will be based on sector programs etc.). Many times it is attested a lack of a plan or at least of a real financial scenario for the implementation of actions. That is why, in the sectors influenced by this action, is attested a lack of any progress.	The problems related with the assurance of the energetic security of the Republic of Moldova are clear. The increase of the renewable energy's role could reduce the dependence on the foreign suppliers of other types of energy. In 2005 the renewable resources of energy represented 3,6% from the total volume of consumed energy, mainly it was the hydraulic and biomass energy). The law on the renewable energy anticipates that until 2010 the share of these resources in the energetic balance of the Republic of Moldova could attain 6%, while until 2020 – 20%.
⑩	Implement a set of low cost measures in this area.	It is attested lack of any progress.	No impact.	The promotion of the intensive biomass production used in energetic purposes and the launch of the national Program for intensive production of the biomass and of the bio-fuel (bio-diesel, bio-ethanol) used in energetic purposes. The elaboration of some technical and financial-economic requirements for the wind plants of 5-10 MW and the attraction of the foreign investors in the realization of this project; The elaboration and the application of the necessary regulatory framework for the commercialization of the renewable energy in the Republic of Moldova. The approval of some tougher technical standards for the conservation of the energy in the existent buildings and those in the process of construction.

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	Information Society			
	<i>(67) Accelerate progress in electronic communications policy and regulation</i>			
↗	Adopt a national policy on the development of the sector.	There was approved the law on electronic communications ³⁸ .	The impact at the current moment is insignificant, the law being adopted in November 2007.	The priorities are related with the harmonization of the regulatory framework with the law's provisions. Another priority is the harmonization of the laws provisions on telecommunications with the law on electronic communications.
↗	Adopt a comprehensive regulatory framework including licensing, access and interconnection, numbering, cost-orientation of tariffs, Universal Service and users rights, privacy protection and data security.	These aspects are regulated by the law on electronic communications. With the purpose of consumers' rights and data protection there was adopted the law on protecting the data with personal character ³⁹ .	The impact at the current moment is insignificant, the law being adopted in November 2007. The law on data protection regulate the process of processing, depositing and using the data by the legal entities and individuals with and without the use of automatic means and meets the structure of the European standards.	The priorities are related to the harmonization of the regulatory framework with the provisions of the law on electronic communications.
↗	Effective implementation of the market liberalization launched on 1 January 2004 including support of a fully competitive environment.	Different sectors of the market have different liberalization degrees. In 2005-2007 the competition in the sector of mobile telephony has significantly increased. The competition is more intense in the Internet and software services sector. The competition is reduced in the telecommunications market, which is formally liberalized since 2004, while actually it is dominated by the state operator "Moldtelecom".	There were diversified the services supplied by the operator from competitive market segments. The market of Internet access is technically monopolized by Moldtelecom. Even if on the market there are several providers, all of them buy the Internet access from Moldtelecom. The company manipulates the price level and the technical quality on the Internet market for obtaining other strategic revenues.	It is necessary to elaborate a common plan of measures by the National Agency for Regulation in Telecommunications and Informatics and the Agency on the Protection of Competition for clearing the monopoly situation on the market of fixed telecommunications. Another solution for supporting the competition would be the separation of MTC in two or several entities. One entity would deal with the primary sale of Internet. The other entities would concentrate on the final Internet and mobile telephony consumer etc.
Ⓢ	Ensure the independence,	NARTI's activity is limited by the legislation	The agency remained politically	The current problem is the approval of the

³⁸ The Republic of Moldova's law nr. 241-XVI 15.11.2007.

³⁹ The Republic of Moldova's law nr. 17 from 15.02.2007.

Evaluation	Chapter, subchapter, action, measure	Implemented measures	Impact	Problems and priorities
	increase the powers and improve the efficiency of the National Agency for Regulation in Telecommunications and Informatics (NARTI) by providing additional human and financial resources and increasing the enforcement powers.	from 1995 and 2000 on telecommunications. The increase of NARTI's authorities is stipulated in the new law project on telecommunications which came to the first reading on 08.12.2006.	dependent on the government and president. A long period of time NARTI could not take any decisions because of the lack of two persons from the administration council.	new law on telecommunications. It should be adjusted to the international practices on the basis of the European Commission recommendations. This law should assure the NARTI's independence at the decision level and from the financial point of view. Meanwhile, it is necessary to elaborate some consultancy standards of the parties involved in the process of elaboration and approval of decisions.
77	Reinforce the commercial capabilities of MoldTelecom in the future competitive environment.	During 2006-2007 Moldtelecom has diversified its services and products. The fixed telephony tariffs are in a reorganization process which is in correspondence with the low levels of the population's revenues, especially of those from the rural areas. There was introduced a new system of tariffs. There were implemented some measures for the separation of the accounting evidence with the costs of the supplied services. Still the effective liberalization of the telecommunications sector was not yet produced.	The Moldtelecom company has elaborated new services for video-telephony and videoconferences, IP-mobile telephony and services for sending Wireless Internet data. The new system of tariffs is in the implementation stage and will include a list of all the services supplied to the clients. The system of separated accounting evidence will process the information for clients apart from transfers and other operations. Continue the connection of rural areas to ADSL services.	Moldtelecom extends its activity through a territorial enlargement, having as a basis the an evident "monopolistic" strategy. For eliminating the monopoly influences, it is required to restructure the company (the separation in 2 or 3 companies with and independent management).
(68) Accelerate progress in the development of Information Society services and in the integration of Moldova into the IST research program.				
77	Further implement the national policy and strategy for the Information Society and provide sufficient funds for its implementation.	In 2005 there was approved the National Strategy "The electronic Moldova" ⁴⁰ . For the implementation of the strategy there was elaborated an action plan ⁴¹ , while in the central public administration bodies there were appointed persons responsible for the implementing and monitoring processes (in some cases formally). There was created the	In 2004-2007 the private investments in the IT sector increased from 2,7 billions MDL to 4,5 billions MDL. The computer's penetration ratio has increased from 3 to 20 users per 100 persons, while the ratio of Internet access has increased from 2% to 13,6%. A moderate progress is	It is required an effective liberalization of the telecommunications market and the creation of equal conditions for all the operators. The implementation of the informational technologies in the trade system is delayed because of the lack of an identification system of the electronic

⁴⁰ The Republic of Moldova's Government Decision nr. 255 from 09.03.05.

⁴¹ The Republic of Moldova's Government Decision nr. 27 from the 6th of January 2006.

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		Fund for the implementation of the National Strategy for the creation of the information society „The Electronic Moldova” and there was created a mechanism for financing projects and programs in the informational technologies framework from this Fund. Annually there will be performed the assessment of the Strategy's implementation.	registered in the “electronic health” sphere and “electronic government”. The progress is extremely slow in the process of the edification of an electronic education system, the integration of the informational elements in the research system and technological development, culture, citizen-culture interaction, especially at the local level.	signature. There should be simplified the registration, licensing, evaluation, control and liquidation procedures of the companies, reducing the interaction between the entrepreneur and the state authorities. There should be assured the transparency in the creation and use of the Fund for the support of the Strategy implementation.
7	Promote the widespread use of the new technologies by business and administration, in particular in the health ad the education sectors (e-commerce, e-government, e-health, e-learning), via the provision of advanced infrastructures, the development of content and the introduction of pilot projects.	Even if the progress is moderate, it is relatively visible in the e-health and e-governance sector (with the exception of the local public administration). The progress is minor or absent at all in the business and education frameworks.	E-banking services are used only by 10% companies. E-trade services are used even less. The access for e-governance services is limited, only the S.E. Registru offers on-line access to information and some services.	The major problem which limits the development of the sector is the monopoly of the state company Moldtelecom to the supply of the primary connection services. In the education framework the main problem is related with the fact that the Education and Youth Ministry, up to the current moment, did not elaborate the necessary legislative framework for the implementation of the ICT in the education system. In the case of the local public administration, there is a lack of financial and human resources necessary for the realization of a progress. Another essential problem is the lack of partnerships between the private and public sectors and the lack of the government's desire to concede to the private companies the supply of some informational services.
⑩	Improve the use of Internet and online services by the citizens via public computer training programs.	There were not developed any public programs for the training of the population.	Even if it is attested a continuous growth of the Internet penetration ratios, this is due to the private specialized investments, not to the	The major problems are related to the relatively high costs of Internet services, determined by the non-loyal competition from the state company

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			public instruction programs. The access to Internet remains reduced, in regional comparison, inclusively the access through a large band (under 5% of the connection).	Moldtelecom. Even if the number of operators on the market of informational services and telecommunications is growing, the complex licensing procedures complicate the development and diversification of the sector.
⑩	Adopt a specific plan to promote the participation of Moldova in the IST part of the 6th Framework Program.	The Republic of Moldova's participation in the 6 th FP was not realized in any sectors.	The impact is zero.	In perspective, it remains to participate in the FP 7, launched since the 1 st of January 2007, which places a significant accent on the financing of the informational technologies.